SECURITY AT SHIPYARDS, NAVAL BASES AND RELATED FACILITIES

HEARING

BEFORE THE

SUBCOMMITTEE ON SEA POWER AND FORCE PROJECTION

OF THE

COMMITTEE ON ARMED SERVICES UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

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SECURITY AT SHIPYARDS, NAVAL BASES, AND RELATED FACILITIES

TUESDAY, AUGUST 10, 1982

U.S. SENATE,
SUBCOMMITTEE ON SEA POWER AND FORCE PROJECTION,
COMMITTEE ON ARMED SERVICES,
Washington, D.C.

The subcommittee met in open session, pursuant to notice, at 9:30 a.m., in room 224, Russell Senate Office Building, Senator William S. Cohen, chairman, presiding.

Present: Senators Cohen and Byrd.

Staff present: Paul C. Besozzi, minority counsel; L. Wayne Arny III, professional staff member; Mark B. Robinson, research assistant; Kathleen L. McGuire, staff assistant.

Also present: Jim Dykstra, assistant to Senator Cohen, and Don Imgram, assistant to Senator Quayle.

OPENING STATEMENT BY SENATOR WILLIAM S. COHEN, CHAIRMAN

Senator COHEN. Good morning.

This hearing marks the beginning of an investigation, spurred by the recent incident at the Electric Boat yard in Groton, Conn., of general security conditions, at civilian and military shipyards. The investigation, which will be conducted over the next several months, will look at security at the yards which build and repair our Nation's naval vessels and at the naval bases which serve them.

We are not here to single out one yard or Government agency for blame in a specific incident. Rather, we are holding this hearing because of a concern that inadequate security at our shipyards and naval installations is jeopardizing our national security and the classified military technology that helps us keep the edge we have over the Soviet Union.

On July 5, 1982, several protesters entered the Electric Boat shipyard. They damaged one of our Trident submarines under construction, the *Florida*, as well as some related equipment ashore.

The damage they did was relatively minor, about $21,000, but that fact is not terribly reassuring. Different people with more malevolent intentions easily could have caused more severe damage. And those with espionage as a goal could have accomplished their mission and left without us ever even knowing about it.

Nine intruders entered the yard. They did so by the simplest of means. Five cut through a chain link fence, while four paddled a canoe up to the waterfront.

Obviously, there are limits to the extent of security we can provide at defense installations. Ours is a free society. We cannot wall in our shipyards as we would a prison. We cannot turn them into fortresses and protect them with deadly force.

But this incident seems to indicate that minimum essential precautions are not being taken. These precautions are needed to protect the rights of the citizens who pay for this hardware that provides for our common defense, and of the workers who could be endangered if a more violent incident were to occur.

The purpose of this hearing, then, is not to criticize or condemn, but rather to learn what lessons we can, and to begin the process of correcting the problems which now exist.

Thus, we have invited officials of both the Navy and Electric Boat to testify today. Their testimony will touch upon the July 5 incident, the state of security which allowed the incident to happen, and what steps are being taken and considered to prevent a similar occurrence in the future.

We intend to conduct this hearing in open session to the extent possible. After hearing unclassified testimony from all the witnesses, we will close the hearing to examine those issues which are of a higher classification.

Our first witness was scheduled to be Senator Weicker, who unfortunately had to attend another hearing. So, we will hear first from Rear Adm. James Webber, Vice Commander of the Naval Sea Systems Command, accompanied by Rear Adm. Harold Young, the Navy's Supervisor of Shipbuilding, Conversion, and Repair at Electric Boat, and former commanding officer at Portsmouth Naval Shipyard; and then Fritz Tovar, the general manager of Electric Boat.

Admiral Webber?

STATEMENT OF REAR ADM. JAMES H. WEBBER, USN. VICE COMMANDER, NAVAL SEA SYSTEMS COMMAND. ACCOMPANIED BY REAR ADM. HAROLD YOUNG, NAVY SUPERVISOR OF SHIPBUILDING, CONVERSION, AND REPAIR AT ELECTRIC BOAT

Admiral WEBBER. I am Rear Admiral Webber, Vice Commander, Naval Sea Systems Command.

I am pleased to have with me Admiral Young, the Navy's Supervisor of Shipbuilding in Groton, Conn., who previously served as shipyard commander at Portsmouth Navy Shipyard.

I will cover the recent unauthorized entry at Electric Boat Division, and describe the physical security which existed at that time. I will also discuss the responsibilities of the contractor and the Navy and the tasks assigned to a special shipyard physical security review group which has been established under the Naval Sea Systems Command.

With your permission, Mr. Chairman, I will proceed to summarize the statement and submit the complete statement for the record.

The discussion is limited in certain details to protect sensitive security information.

Regarding the Electric Boat Co. facility, a drawing attached to the statement provides an outline of the facility. Specifically of interest is the location of the *Florida* in the south part of the shipyard

adjacent to a drydock, and the security zone boundary which was established along the dredged channel. The buildingway is at the north end of the yard, the land level facility, and finally the storage area at the far south end of the yard which contains the sonar spheres and the point of entry via the cut fence.

The incident itself occurred during the early morning hours of July 5 when four individuals were first discovered aboard the Trident submarine *Florida*. Due to their actions, damage to two missile tube hatch covers was discovered. A search later also found five additional individuals in the center of the shipyard's southern materials storage yard, and at that time, two sonar transducer mounting spheres were found to be damaged also. All of this damage has since been repaired.

Regarding prosecution of the intruders, the demonstrators have been charged with conspiracy to commit criminal trespass and criminal mischief. The arrests were made by the city of Groton police, and the demonstrators have been arraigned for trial on these charges.

As of July 5, the Electric Boat security force consisted of 62 officers. None of the security force guards are armed and none have peace officer commissions. The company and the city of Groton have agreed to undocumented security assistance procedures whose effectiveness was reflected by the rapid response of the city of Groton police when they responded within 5 to 10 minutes.

In addition, Electric Boat maintains an organization called the Waterfront Security representative of some 64 people, mostly supervisors and crane operators who are charged with surveilling the waterfront and providing reports on notification or indication of any unusual occurrence. This force is spread throughout three production shifts.

The security zone in the water which I mentioned earlier is defined under CFR Title 33 and is clearly marked on navigational charts as a security zone. The meaning of security zone is that entry is not permitted by commercial or pleasure craft.

The Electric Boat security function is carried out by three elements, a perimeter or post control at the gates, a boat post officer, and finally, shipyard patrols. The intensity of the security is increased during the second and third shifts when there are fewer production workers in the yard than during the day shift. Whenever a ship launching or other special event is announced, or a demonstration is encountered, the Electric Boat security force is augmented by their Quonset Point forces. The Navy commissioning crew which is assigned to the ships also provides a limited degree of incidental security protection, although that is not their prime function during the construction of a ship.

Following the in-service date of a ship, the ship's crew moves aboard, lives aboard, and runs tests from that time until ship delivery. Due to the increased number of ship personnel, this provides some additional security surveillance. However, legal and contractual responsibility for physical security remains vested with the shipbuilder throughout the construction period. Responsibility for physical security of the ship transfers from the shipyard to the crew at the time of ship delivery to the Navy, which occurs at the end of the trial period when the ship becomes fully operational.

Since the July 5 incident, Electric Boat has taken certain actions to enhance security. They have installed additional lighting. They have cleared a continuous strip adjacent to the southwest boundary fence. They are now maintaining continuous, around-the-clock visual surveillance of the entire waterfront by security force personnel.

In addition, Electric Boat is testing various devices to enhance visual surveillance during periods of low visibility, and the more promising of these devices will be incorporated into the permanent procedures.

Inside the ship, continuous security is put into effect once classified material or classified objects are mounted or installed. Electric Boat, in addition, has stated that it intends to install a double fence in the southern boundary, to install a system to automatically surveil the area between fences, and to move the southern portion of its eastern boundary fence, installing it along a public thoroughfare, thereby making it continually available for rapid vehicular patrol. In addition, they are considering improvements to the northwest edge of the property by installing an additional fence.

Contractor responsibility is spelled out under the plant protection clause of the shipbuilding contracts. This clause essentially requires that the contractor provide reasonable protection under peacetime conditions against all hazards including unauthorized entry, malicious mischief, theft, vandalism, and fire.

In addition, the contract provides that additional safeguards as required or approved by the contracting officer for the protection of its plant and the work in process under the contract may be invoked.

I would like to now proceed from the specific case of Electric Boat to the broader question of physical security in shipyards in general.

We have six naval shipyards and two private shipyards involved in work on nuclear-powered ships. In addition, we have two naval shipyards which are involved in work on conventional ships. Physical security for ships under construction is provided by the shipyard. For commissioned ships such as those undergoing overhaul, security on the ship is provided by its crew.

The basic approach to security involves similar steps to that of Electric Boat: Perimeter fences, guard protection, and access controls. In addition, naval shipyards are usually located within the boundaries of a naval station and have a second controlled industrial area or inner perimeter immediately surrounding the industrial area of the yard.

Our approach to security has been to have a system which is capable of dealing deliberately, effectively, and with minimum force with planned and announced intrusions. Second, it should be capable of inhibiting covert, unforeseeable penetrations or activity at the outer perimeters. To do this, we must have the physical, statutory, and regulatory powers to thwart determined intruders.

The threat, as we see it, involves three elements: First of all, direct action groups attempting to gain recognition and publicity similar to that which occurred at Electric Boat; second, a terrorist attack against a specific target by a group of well-trained individuals bent on maximum publicity or gaining a concession from the company or Government; and finally, a foreign power rendering fleet assets inoperative through a coordinated sabotage effort.

The Naval Sea Systems Command, to deal with this important issue, has established a special Shipyard Security Review Group. The task of this group is fivefold: First of all, to identify the physical security threats; to identify countermeasures for the threats; to examine shipyard security measures actually in effect now; to identify deficiencies in those physical security measures; and to recommend actions necessary to remedy those deficiencies.

I expect to have a preliminary report and recommendations from this group later this month. The review group has visited Electric Boat and is carefully reviewing the statutory, and contractual matters bearing on shipwork activity and physical security. They have developed a catalog of all elements of security systems in effect and also addressed the jurisdictional question. They are in the process of compiling a list of all available physical security devices, such as visual and electronic surveillance sensors. They are also in the process of determining the probability of occurrence of the threats to be thwarted, and finally, are looking at a determination of the additional investment that must be made in physical security at each activity.

We are looking at the effectiveness of the controlled access restrictions to improve security of land boundaries. We are looking at restricted zones or standoff zones in the water. We are examining in some detail the relation of the Federal Government and the State governments, particularly at our naval shipyards where there are quite different laws and relationships in effect at the various shipyards. In the case of contractor-owned shipyards, such as Electric Boat, State criminal laws apply. However, the Government has an interest in the vessels under construction, due to our ownership interest. It is possible that both Federal and State statutes may apply.

Part of this review group's analysis will address the question of what, if any, legislative action may be required to upgrade or enhance the law bearing on physical security. We are also looking at the enforcement status of security forces. They vary considerably. Some activities have armed forces, some do not. Some have full peace officer status. Some of our activities, in fact, have contracted out to private firms to provide guard services. Many Navy shipyards employ a combination of Marines, private guards, and their own civil service police.

Our preliminary disposition is toward the use of police with a peace officer commission.

In summary, I have briefly described the Electric Boat incident for you. I reviewed the company's contractual physical security responsibilities, the assignment of the NAVSEA Shipyard Security Review Group, and actions taken to date and actions intended.

Although the incident at Electric Boat did not affect ship work schedules and did not involve the compromise of classified information, it clearly identified a vulnerability to persons or groups who could do major damage and cause major disruption. We take this as a significant warning, and are proceeding to assemble the facts necessary to deal with the risk, and are taking a fresh, hard look at other threats which may be anticipated.

[The prepared statement of Admiral Webber follows:]

PREPARED STATEMENT OF REAR ADM. JAMES H. WEBBER, USN, VICE COMMANDER, NAVAL SEA SYSTEMS COMMAND

Mr. Chairman and Members of the Committee, I am Rear Admiral James H. Webber, Vice Commander, Naval Sea Systems Command. It is a pleasure to appear before you today. I am here to outline the recent unauthorized entry into the Electric Boat Division facility of the General Dynamics Corporation at Groton, Conn., by a group of anti-armament demonstrators. I will review the event, then describe the physical security that existed at Electric Boat at the time of the incident, that which exists now, and Electric Boat's plans for additional improvements to the shipyard's physical security.

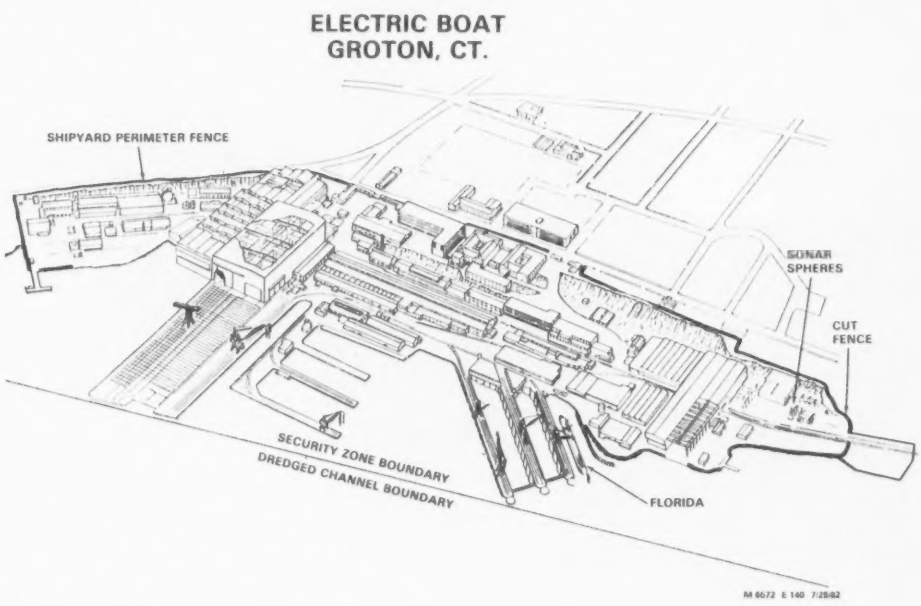
I will discuss the responsibilities of the contractor and of the Navy for physical security of ships under construction.

A Shipyard Physical Security Review Group has been established within the Naval Sea Systems Command. I will cover the task assigned to the group and its salient activities.

This discussion is limited in certain details to protect classified security information.

THE ELECTRIC BOAT COMPANY FACILITY

The Electric Boat Division of General Dynamics is a private shipyard currently building Trident and *Los Angeles* Class submarines. The shipyard is located on the Thames River in Groton, Conn. The attached drawing illustrates the layout of the facility and its principal structures. There are a total of 250 structures of various sizes ranging from the very large Construction Building shown on the drawing to numerous small production facilitating structures located throughout the shipyard and not shown on the drawing. Note particularly please, the Security Zone boundary in the river, the location of the *Florida*, and of the southern storage yard, near the center of which two sonar spheres were located, and the location of the cut in the fence. I will refer to these features in my subsequent remarks. The facility covers 96 acres within a 12,000-foot perimeter. Approximately 4,000 feet of the perimeter borders the river.



THE INCIDENT

In general summary of the incident, in the early morning hours of July 5th, four individuals were discovered aboard the Trident submarine, U.S.S. *Florida*. Damage to two missile tube hatch covers was discovered, a substantial area was splattered with a blood-like substance, and spray painted words and slogans were found. A search later discovered five additional individuals in the center of the shipyard's southern outdoor material storage area. Damage discovered there was to transducer mounting studs which were welded to two rugged sonar transducer mounting spheres. As shown in the pictures, some slogans were painted on the spheres, and a blood-like substance was poured on them as well. All of the damage has been repaired.

PROSECUTION

As of August 2, 1982, the demonstrators have been charged with Conspiracy to Commit Criminal Trespass, 1st Degree, and 1st Degree Criminal Mischief. Arrest was by members of the City of Groton Police Department. The demonstrators have been arraigned for trial on these charges. It is possible that the charges upon which they were originally arrested and arraigned might be amended by the State's Attorney. Also, discussions are taking place with respect to the possibility of Federal charges.

ELECTRIC BOAT SECURITY SYSTEM AS OF JULY 5, 1982

Electric Boat employs a uniformed security force of 62 officers. The company provides on-the-job training in security procedures. Twenty-three of the officers have been trained by the company, on-the-job, in investigation techniques and procedures. None of the security force are armed and none have Peace Officer Commission. The company and the City of Groton have developed and employ undocumented security assistance procedures. The city police force has been responsive to the company, as it was in the arrest proceedings of this incident. The response time of the city police to an Electric Boat call for assistance varies from 5 to 10 minutes depending on the urgency and the other demands on the city police at the time.

In addition to the uniformed force, Electric Boat maintains an organization which it calls its "Waterfront Security Representative" force. Sixty-four employees, mostly supervisors and some waterfront crane operators, are charged with being continuously sensitive to waterborne intrusion and with reporting perceived intrusions to the security office immediately. The force is essentially evenly distributed over the three production shifts. This force reports approximately three intrusions per week, mostly pleasure craft, into the river security zone.

The waters bounding the Electric Boat waterfront are designated a "Security Zone" per CFR Title 33 Part 127.305. Entry into a Security Zone is prohibited except by permission of the Captain of the Port. The U.S. Coast Guard (with a station across the Thames River from Electric Boat) enforces its "Security Zone" when requested to do so by Electric Boat. When the Coast Guard does not have a boat readily available, the Groton City Police boat is called upon.

Electric Boat employs its uniformed force in three principal functions; (1) perimeter (gate) post control, (2) boat post officer (a fixed watch station onboard a ship during certain stages of construction), and (3) shipyard patrols. During the second and third shifts when the production workforce and the number of Navy personnel are at a minimum, surveillance is augmented by additional patrols. A watchman's clock station system is in use with relatively closely spaced stations installed throughout the shipyard (including on each ship during the appropriate phase of its construction). Each patrol varies his patrol route but must clock in at each station of his patrol zone at least once during each patrol.

When a special event such as a launching is planned, or a group announces an intention to demonstrate on a given day, the Electric Boat Company employs its full securty force, all of its Waterfront Security Representatives, and obtains special city and state police unit support. This level of effort can be and has been augmented by the addition of some of the Electric Boat Company's Davisville/Quonset Point security force.

ADDITIONAL SECURITY THROUGH CREW PRESENCE

The Navy precommissioning crews also provide a limited degree of incidental security protection by, in effect, augmenting the shipyard security effort in the course of performing other required onboard ship duties prior to the ship's "in-service" date. Following the "in-service" date, the ship's crew moves aboard ship thus providing additional direct security protection. Throughout the Fourth of July weekend there were four Navy men on watch in the *Florida's* machinery spaces, and one on a continuous patrol of the ship including periodic topside surveillance. Legal and contractual responsibility for physical security remains vested with the shipbuilder during this period. Responsibility for physical security of the ship transfers from the shipyard to the crew at delivery of the ship to the Navy.

ELECTRIC BOAT SECURITY SYSTEM NOW—AUGUST 1982

All of the procedures and agreements in effect as of 5 July 1982 remain in place. Since the 5 July incident, Electric Boat has taken the following actions:

Installed additional lighting and improved and realigned existing area lighting.

A continuous strip, adjacent to the extreme southwest boundary fence, has been cleared to permit vehicular patrol of this waterfront section.

Electric Boat is now conducting a continuous around-the-clock visual surveillance of the entire waterfront by security force personnel located at selected vantage points.

In addition, Electric Boat is testing various devices to enhance the visual surveillance during periods of low visibility. It is intended that the most effective devices will be incorporated in the permanent procedures after a period of evaluation.

Under the conditions existing now, undetected boarding of a submarine is more difficult than it was on 5 July; however, it is not possible to totally preclude an intrusion as occurred on 5 July, particularly in fog which is common in Groton at certain times of the year. Once boarding is accomplished, proceeding below decks is not difficult. Inside the ship continuous security is put in effect, once objects having classified features are mounted or installed. Much equipment mounted below decks is vulnerable to substantial damage by hand wielded instruments, but the continuous presence of prospective crew members and of the company test representatives provides substantial probability of prompt intruder detection.

ELECTRIC BOAT'S PLANNED SECURITY IMPROVEMENTS

Electric Boat Company has stated that it is in the process of straightening its south boundary fence, making it a double fence, and installing a system to automatically surveil the area between the fences to enhance its ability to detect intrusion of that boundary. Concurrently, the company intends to move the southern portion of its eastern boundary fence, through which the land intrusion was made, to the east, installing it along a public thoroughfare thereby making it continuously available for rapid vehicular patrol. The company has negotiated with the Groton city zoning officials in connection with this latter fence move.

Electric Boat has stated that it has concluded also that the vulnerability to waterborne intrusion at the extreme northwest edge of the property should be reduced by additional fencing and is reviewing the actions necessary to proceed accordingly.

CONTRACTOR RESPONSIBILITY

The contractor is responsible for shipyard security under the Plant Protection Clause of its shipbuilding contracts. The contractor is also responsible for the security and safety of each ship under construction until it is delivered to the Navy. Delivery occurs after all tests and trials are completed to the satisfaction of the Navy.

The Plant Protection Clause reads, in part, as follows:

> The Contractor shall provide for its plant and the work in process under this contract such safeguards, including personnel devices and equipment, as would constitute reasonable protection under peacetime conditions (in the light of the size of the plant and the scope of its operations) against all hazards, including unauthorized entry, malicious mischief, theft, vandalism, and fire.

Another portion of the clause provides for "additional safeguards as may be required or approved by the Contracting Officer for the protection of its plant and the work in process under the contract against espionage, sabotage, and enemy action." Reimbursement of the costs to the contractor of such safeguards would be under the changes clause of the applicable contract.

In the Electric Boat case, the contractor's security system, through the Fourth of July, had handled all threats and trespass incidents without adverse impact on ship construction schedules or major cost impact. The July 5th incident had no impact on ship delivery schedules.

PHYSICAL SECURITY OF NAVAL AND PRIVATE SHIPYARDS

I would like to proceed from the specific case of Electric Boat to the broader area of physical security in shipyards in general. There are six naval shipyards and two private shipyards accomplishing work on nuclear-powered ships as well as two naval shipyards that perform work only on conventionally-powered ships. Physical security for ships under construction is provided by the shipyard. For commissioned ships undergoing overhaul, security on the ship is provided by its crew. All of the naval and private shipyards use generally the same basic approach to physical security incorporating perimeter fences, guard protection, and access controls. In addition, most of the naval shipyards are located inside the boundaries of a naval station and have a second, Controlled Industrial Area, fence with additional access controls that enclose the land perimeter of the area containing drydocks, piers, and primary classified work areas.

PHILOSOPHY OF APPROACH

The security system at each activity must be capable of dealing deliberately, effectively, and with minimum force, with planned and announced intrusions and disruptions. It must be capable of inhibiting covert, unforeseeable penetrations of activity on outer perimeters and of detecting and responding adequately to attempted or actual penetrations of internal high value, high interest areas. It must have the physical, statutory, and regulatory powers to thwart determined intruders and to properly apprehend them.

The investment in this system at each activity must be predicated on the carefully evaluated real threats and risks to each activity, and be consistent with the benefits to be derived from it.

THE THREAT

The specific types and sources of threats change constantly; however, the threats we have determined to be appropriate to review fall into three major categories:

(*a*) Direct Action groups attempting to gain recognition and publicity for a cause. The Electric Boat incident is an example of this type of threat which is considered to have a moderate probability of recurring in the near future at Electric Boat Company or some other shipyard.

(*b*) Terrorist attack against a specific target by a group of well trained individuals bent on maximum publicity, or gaining a concession from a company or a government. The rate of terrorist activity has been increasing worldwide as has the seriousness of the results. It has been directed by one special interest group at another, and recently, in Puerto Rico, at the U.S. Armed Forces. The probability of this type of threat is considered low but may increase.

(*c*) A foreign power rendering fleet assets inoperative through a coordinated sabotage effort. The probability of this happening would increase drastically in a pre-war time frame.

Determining the probability of occurrence to assign to each type of threat at each activity is difficult but is being done to provide the basis for future actions in installing and operating shipyard physical security systems.

SHIPYARD SECURITY REVIEW GROUP

To deal with this extremely important issue a special Shipyard Security Review Group has been established within the Naval Sea Systems Command. This group has been given the broad charter to:

(*a*) Identify physical security threats.
(*b*) Identify countermeasures for each threat.
(*c*) Examine shipyard security measures in place.
(*d*) Identify shipyard physical deficiencies.
(*e*) Recommend actions necessary to remedy physical security deficiencies.

The Review Group is scheduled to provide its initial findings, conclusions, and recommendations later this month.

The Review Group has visited the Electric Boat Company and carried out extensive discussions with both the company and the U.S. Navy, Supervisor of Shipbuilding, Groton, who has cognizance over the Navy shipbuilding accomplished there. It is carefully reviewing the statutory, regulatory, and contractual matters bearing on shipwork activity physical security. It has developed a complete catalog of all elements of the security systems in effect at each nuclear shipyard facility, the various jurisdictions applicable at those facilities, the facility working relationships with local and state law enforcement agencies, and the enforcement status (for example, guard, policeman, commissioned peace officer) of the members of the activities' security forces. A compendium of available physical security devices, such as visual and electronic surveillance sensors, and their acquisition, installation, and operating costs is being developed. An estimated level of effectiveness of each of these devices is being compiled. The most important task is that of determining the probability of occurrence of the threats to be thwarted, with a reasonable confidence level. After this is accomplished, a rational determination of the additional investments that must be made in physical security at each activity will be reached.

I will outline some of the steps that will have application at one or more activities.

LAND BOUNDARIES

We are looking at improving the effectiveness of the controlled access perimeter fence installed at all activities by improved clear zone maintenance, installation or improvement of perimeter lighting, and employment of low light level electronic devices. These measures are in effect at some of our shipyards now and their application will be expanded.

RESTRICTED AND SECURITY ZONES

We are looking at a "standoff" type enforceable boundary such as that provided by a Restricted waters or Security waters zone, coupled with boat patrols to police waterfront boundaries at each activity. The annual boat operation, maintenance, depreciation, and manning cost is approximately $400,000, for 24-hour, 7 days a week, coverage per shipyard.

Given the high annual cost of operating a boat patrol, we are evaluating sensors that can surveil the boundaries of a restricted or security zone.

Some of our shipyards now have the capability to respond by boat to specific situations that develop on their waterfronts.

ENFORCEMENT OF THE LAW

In public shipyards owned by the Federal Government, of particular concern is the determination for a given location of the extent of Federal and State control which exists. We are aware of some public yards that have a confusing mixture of Federal and State authority over the land. There are essentially four variant types of Federal authority, or jurisdiction, over federally-owned yards. These types are "exclusive" to the Federal Government, "concurrent" with the State government, "partial" in both governments, and "proprietary" meaning limited to the Federal right or title to the land. Each type is dependent upon and limited to a specifically defined land area, and is different from the Federal Government's general legislative authority to protect and secure property of the Navy. The question of jurisdiction bears directly on whether State or Federal criminal law, or both, applies and which authority is responsible for enforcement of the law. We are investigating avenues to clarify the respective lines of authority and create more uniform and rationally-based jurisdiction.

A somewhat different situation exists at contractor-owned shipyards, such as Electric Boat, over which State criminal laws apply. The Federal Government's rights and powers are determined not by reference to any ownership interests in the shipyard, but by virtue of the Government's interest in the vessels being

constructed for the Navy. As a result, both Federal and State criminal laws may apply.

Part of the Review Group's analysis will involve what, if any, legislative action, including Congressional, might be necessary to ensure that the law is effectively enforced and the sanctions against illegal behavior are strong.

ENFORCEMENT STATUS OF SECURITY FORCES

Some activities employ armed police with full Peace Officer status and U.S. Marines in their security operations. On the other extreme is an activity that uses unarmed guards who do not hold Peace Officer Commissions and therefore can arrest only as private citizens, and whose task and authority are limited to observing and reporting. Many naval shipyards employ a combination of U.S. Marines, guards, and police. After completing the threat evaluation, the optimum arrangement for each activity will be developed. The preliminary disposition is to move toward the use of police with Peace Officer Commissions.

CONCURRENT ACTIONS

Independent of the Shipyard Security Review Group's actions, several NAVSEA activities have been developing improvements to their physical security posture. The naval shipyards at Puget Sound and Philadelphia are instituting measures completely consistent with the Review Group's approach.

Some naval activities have formed a Waterfront Security Committee to identify areas needing improvement and means to that end.

SUMMARY

I have described the Electric Boat incident for you, the Electric Boat Company physical security posture at the time of the incident, the posture now, and improvements in that posture currently being installed or considered by the company. I have reviewed the company's contractual physical security responsibilities, the existence of the NAVSEA Shipyard Security Review Group, its actions to date, and security measures we are developing.

The incident at Electric Boat did not affect shipwork schedules and did not involve compromise of classified information. However, it clearly identified a vulnerability to persons or groups who could do major damage and cause major disruption. We are proceeding to assemble the facts necessary to deal with that risk and are taking a fresh hard look at other threats that may be anticipated.

Senator COHEN. Thank you very much, Admiral.

I take it there were no sensing devices around the fence.

Admiral WEBBER. That is correct.

Senator COHEN. How long was the period of time before those individuals who actually cut through the chain link fence were located?

Admiral WEBBER. Approximately 3 hours before the five were located.

Senator COHEN. I think you indicated in your prepared statement that a search later found these individuals, but is it not true that they were located primarily because those who were apprehended previously told the authorities where they were?

Admiral WEBBER. It is my understanding they did provide an indication. The preliminary search was in the higher areas of the yard and then moved to the lower value areas.

Perhaps Admiral Young can elaborate.

Admiral YOUNG. That is a true statement, what he just said.

Senator COHEN. So we had the unique situation where the protesters themselves helped the officials find the others who had entered rather than the search party, as such, discovering them.

Admiral WEBBER. Yes, sir.

Senator COHEN. Admiral Webber, how should responsibility be assigned for security at Electric Boat?

Admiral WEBBER. I feel the primary assignment is to the contractor.

Senator COHEN. You do not think the Navy has any responsibilities?

Adimral WEBBER. Yes, sir, the Navy clearly is responsible to insure that proper levels and proper degrees of security are carried out and to invoke the proper requirements of the contract.

Senator COHEN. Did the Navy do that in this case?

Admiral WEBBER. I think in retrospect, no, sir.

We were based on a peacetime look, and we did not adequately address the threat.

Senator COHEN. Well, the Trident submarine is one of the major weapon systems we have. If we had the type of security around the MX missile or the Minuteman or the B–52's or the B–1 that we have around this submarine yard, we would be in rather serious difficulty, would we not?

Admiral WEBBER. Yes, sir.

Senator COHEN. As a matter of fact, the supervisor of shipbuilding, conversion and repair back in 1978 filed a report indicating deficiencies at the boatyard, is that not true?

Admiral WEBBER. Yes, sir, that is correct.

Senator COHEN. Were those satisfactorily corrected?

Admiral WEBBER. Those deficiencies were corrected to the Navy's satisfaction.

Senator COHEN. But even having done those corrections, it is your statement now that the security was not adequate and the Navy did not exercise proper oversight as far as its responsibilities are concerned?

Admiral WEBBER. Yes, sir. In my opinion the incident points up a weakness in our approach to security, and we are taking it aboard and moving to correct that.

Senator COHEN. How should the Navy go about insuring that adequate safeguards are established and maintained? What sort of standards do you have now?

Admiral WEBBER. Much of the specifics will come from the recommendations of the security group review that we now have underway. I anticipate that that group will recommend additional specific surveillance and perimeter and patrol devices to enhance our security posture.

Senator COHEN. As a layman, I find it hard to believe that the Navy does not have some standard right now that should be applicable to every yard, whether private or Navy.

Admiral WEBBER. Our standards, as shown by this incident, are too low, very frankly, and we are moving to raise those standards.

Senator COHEN. Well, let me come back again.

What sort of procedures? Are you going to wait for the outcome? How long do you think it will take this Commission to review the state of security in our boatyards?

Admiral WEBBER. As I mentioned, I will have preliminary conclusions later this month.

Senator COHEN. What sort of responsibility do you think the local police should have? You indicated that some of these yards actually

employ civilians who have no authority to make arrests on the premises; is that right?

Admiral WEBBER. Yes, sir, that is correct.

Senator COHEN. Do you think that is a good practice?

Admiral WEBBER. No, sir, I do not. I think we need to have either a specific agreement or we need to have a police officer arrangement in which the security officers can effect an arrest.

Senator COHEN. Even a justice of the peace has authority to make arrests under most laws.

Admiral WEBBER. Yes, sir.

Senator COHEN. And yet we have situations where we have civilian contractors who are unarmed and who have no authority to make arrests.

Admiral WEBBER. Yes, sir, that is correct, and that totally is a deficiency.

Senator COHEN. What about the Coast Guard? Should the Coast Guard play a role in the surveillance of the waterfront?

Admiral WEBBER. I would anticipate that the Coast Guard would play a role in the waterborne aspect, yes, sir.

Senator COHEN. Has that been done to date?

Admiral WEBBER. The Coast Guard does assist Electric Boat on request, but I think a more specific agreement has to be entered into.

Senator COHEN. They are not carrying out any regular patrol in that waterfront area?

Admiral WEBBER. That is correct, yes, sir. Waterfront patrol, of course, is a fairly expensive operation. It is our estimate that a continuous, round-the-clock waterfront patrol would amount to about $400,000 a year. We are looking at other means of providing similar protection.

Senator COHEN. Will you see to it that the Commission's reports are forwarded to the committee so that we might have the benefit of whatever recommendations they make, and that when we follow up these hearings, we can have access to them?

Admiral WEBBER. Yes, sir, I would be most pleased to.

Senator COHEN. Have you requested prosecution under Federal law?

Admiral WEBBER. No, sir, we have not yet taken that step. We are considering that but we have not yet taken that step.

Senator COHEN. Why the hesitancy?

Admiral WEBBER. The initial action is under the State criminal law which has jurisdiction. Our legal staff is looking at the question of prosecution under Federal law but has not yet recommended that we take that action.

Senator COHEN. In the contract that you have with Electric Boat yard, there is a section which discusses the protection of the shipyard and states that the company is going to provide for reasonable protection under peacetime conditions against all hazards including unauthorized entry, malicious mischief, theft, vandalism, and fire.

Do you think reasonable precautions have been taken in this case?

Admiral WEBBER. We considered that the precautions taken were reasonable at the time. The incident has pointed out a situation where the actions taken are clearly insufficient.

Senator COHEN. Who decides what is reasonable, Electric Boat or the Navy?

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Admiral WEBBER. The first determination is by Electric Boat. However, the Navy, including the supervisor's office who conducts surveillance and periodic inspections, has the opportunity to determine whether we consider that Electric Boat is taking the proper steps or not.

Senator COHEN. Do you think in light of the events that the kind of entry that was gained in this case was something that was reasonably foreseeable?

Admiral WEBBER. Looking back, I would have to admit that, yes, to be very frank about it.

Senator COHEN. It is probably one of the easiest things that has ever been done. A couple of people canoeing up, in a canoe painted black and dressed in black, and they paddle right up to the boat.

Admiral WEBBER. I agree with you, Mr. Chairman.

Senator COHEN. You know, many of us have probably seen movie after movie of saboteurs who carry out much more sophisticated operations.

For example, what sort of protection is there? In this case they were using hammers to bang on the hull. I understand that they even had to persuade the authorities that they should be arrested and that they were there illegally. They were told to go back to work.

Admiral WEBBER. I did not hear that, sir. I did hear that they had requested that they be arrested, though. I did not hear the back to work statement.

Senator COHEN. Who is going to pay for the increased security? Assuming the Navy recommends that new procedures be instituted, who will bear that cost?

Admiral WEBBER. The cost will ultimately be borne under the contract, and in the case of a company such as Electric Boat, with the Navy as a sole customer, the cost will be borne ultimately by the Government.

Senator COHEN. How would this compare with the Portsmouth Naval Shipyard mentioned in your opening statement on differences on a ship after it is commissioned, when the crew then guards the ship itself?

Tell me the distinction that is made. In your opinion, once the boat is put in the water, should there be a guard on that boat at all times?

Admiral WEBBER. I will defer to Admiral Young in response to that. He has had direct recent experience.

Admiral YOUNG. Well, of course, at the Portsmouth Naval Shipyard, the ships are in overhaul, and the ship's force has the topside watch and a roving patrol below. Ships that are under construction, they do not have that other than the fact that once they are waterborne, they do have what they call a roving patrol for flooding, and Electric Boat also has a man on board. Of course, the big difference up at Portsmouth is the fact that one, you are talking about an island; two, you have an outer perimeter manned by Marines, a contingent of about six marines for fast response, and then Federal guards manning inside, controlling the industrial area.

Senator COHEN. Were there any classified instruments on board the boat?

Admiral WEBBER. Yes, sir.

Senator COHEN. Isn't it somewhat ironic that we would not have some sort of sentry on board that ship once you have classified instruments installed? When you say a ship is under construction, it is not that you just have a big hull there with not much on board. Many news articles even talked about this. One by Mark Patican, for example, pointed out "how secret is our secret weapon? During public launching the press is even barred from photographing the rudder. That is pretty thorough secrecy if you can forget the fact that none of us had time to film a 3-hour documentary."

Admiral WEBBER. Yes, sir. The majority of classified information, the equipment, of course, is located internally in the hull, and there were people on watch inside the ship.

Senator COHEN. But it would not take much to have some of them paddle up and take a grenade or mine and stick it on the hull, would it?

Admiral WEBBER. That is correct.

[Pause.]

Senator COHEN. Staff counsel was saying that one of the articles written about this incident indicated that the protestors could easily have had access down below the submarine.

Is that true, to the best of your knowledge?

Admiral WEBBER. To the best of my knowledge, they could have gained access below decks, but they would have been quickly identified and apprehended.

Senator COHEN. Now, if they were in fact dressed as workers, what sort of security measures would have distinguished them from ordinary construction workers?

Admiral WEBBER. The practice is to require the bona fide workers to wear security badges with their picture on them.

Senator COHEN. Are they hard to duplicate?

Admiral WEBBER. Not particularly difficult, no.

Senator COHEN. What happens, for example, during foul weather when you have got rainy, windy weather and people are outside working and they put their foul weather gear on? How much control do you have at that point as far as checking those ID's?

Admiral WEBBER. The requirements are that the security badge be worn external to rain gear. The badge is to be worn outside.

Senator COHEN. Who checks on that?

Admiral WEBBER. That is up to the workers in the yard as well as the guards at the gates as you pass.

Senator COHEN. But, of course, if these people have gained access illegally and came on board and they had a little chain around their neck or a clip on their coat, and had a plastic, laminated card inside with their photograph on it, looking fairly official, there would have been no problem gaining access to the inner workings of the submarine.

Admiral WEBBER. Yes, sir, I think they could have gained access. However, in practice, the people on watch are generally quite familiar with the workers assigned to the boat. I think a strange face, particularly at 4 o'clock in the morning on a holiday weekend would have encouraged a challenge.

Senator COHEN. And yet according to the press reports, these people were told to go back to work. They were not even dressed as construction workers.

Admiral WEBBER. They were not inside the ship at that time. I was addressing the question of the intruders being inside the ship, having access to classified information.

Senator COHEN. Do you think the security inside is better than that outside?

Admiral WEBBER. Yes, sir.

Senator COHEN. I do not know if you are familiar with this story. This appeared on the AP wire. Apparently a phoney Marine major general in dress uniform sporting two stars and five rows of ribbons bluffed his way past guards and spent 45 minutes at the Whidbey Island Naval Air Station.

Are you familiar with that?

Admiral WEBBER. No, sir, I am not familiar with that.

Senator COHEN. Well, there is another case of somebody posing as an imposter, gaining access to another naval station.

Admiral WEBBER. I am sure you recognize the difficulty, Mr. Chairman, of controlling a work force, in the case of Electric Boat, of some 17,000 people who come and go each day in all various stages of dress. It is a difficult problem.

However, I do not intend by my remarks that we are taking it lightly. It is our problem and we have got to work on it.

Senator COHEN. The difficulty is that the Trident submarine is viewed as perhaps our most secure form of deterrence. We know about the window of vulnerability as far as the Minuteman missile is concerned, and we have always pointed to the Trident as being that particular instrument of war that is least capable of being detected.

It seems to me in view of the importance of it, in view of its tremendous firepower capability, we would want to provide more security, even in peacetime. Why, you pick up the morning paper, as you did today, and see that there was another terrorist attack in Paris where some terrorists went by a restaurant and just started shooting at the people inside.

To date, most of the terrorism has been abroad, but it is certainly conceivable, if not likely, that we will see increased incidents of terrorism in this country. And here we are talking about the most important leg of the Triad, at least in my opinion, right now, because of its relative invulnerability as far as detection is concerned. It would seem to warrant even more security than we have even considered today. That means peacetime as well as wartime.

Admiral WEBBER. Yes, sir, I agree with you.

Senator COHEN. I have some other questions, Admiral, that I would like to ask you, but I will reserve those for closed session.

Mr. Tovar, perhaps you could come up, and Admiral Webber and Young, if you would wait?

STATEMENT OF FRITZ G. TOVAR, GENERAL MANAGER, ELECTRIC BOAT DIVISION

Mr. TOVAR. Mr. Chairman, my name is Fritz Tovar, and I am the general manager of Electric Boat Division of General Dynamics. Our primary facilities are in Groton, Conn., and Quonset Point, R.I., and our principal products are, of course, nuclear submarines, attack sub-

marines, and strategic missile submarines.

A written statement has been submitted to you. Admiral Webber has done an outstanding job in describing the events of July 5 and the Navy's reaction to those events, and I do not believe it is necessary for me to further elaborate on that. And therefore I am ready to answer any questions you may have.

[The prepared statement of Fritz Tovar follows:]

PREPARED STATEMENT BY FRITZ G. TOVAR, GENERAL MANAGER, ELECTRIC BOAT DIVISION, GENERAL DYNAMICS

Mr. Chairman and members of the subcommittee. My name is Fritz G. Tovar. I am General Manager of the Electric Boat Division of General Dynamics Corporation. Our facilities are at Groton, Conn., and Quonset Point, R.I., and our principal work is the design and construction of nuclear attack and strategic submarines.

I am pleased to be here today to discuss with you the recent break-in at Electric Boat on July 5, 1982, as well as its implications concerning the security of industrial plants engaged in defense work. While the break-in at Electric Boat is a single specific incident, I believe it should properly direct our attention to what I would consider to be a subject of national concern.

With your permission, I would first like to summarize the basic facts of the incident; then comment on what I regard as the fundamental question raised by the break-in; and finally urge that the Federal criminal statutes involved be vigorously enforced in order to deter future conduct of this kind. Due to the sensitive nature of this subject much detail has been omitted. I will be happy to discuss these details in closed session and answer any questions you may have.

Before dawn on July 5, 1982, four intruders violated a waterfront security zone established by the U.S. Coast Guard in the Thames River adjacent to Electric Boat and boarded the ballistic missile submarine *Florida* (SSBN728), which was moored at the south wing wall of Graving Dock #1. They arrived secretly under cover of darkness and attempted to look like members of the work force by wearing hardhats and tool belts. In addition to pouring what appeared to be blood and painting names or slogans on the ship, this group inflicted damage to missile tube hatches on the exterior of the ship by beating on them with hammers. To the best of our knowledge, this group did not get inside the ship. Shortly after 4 a.m. the intruders were discovered topside on the *Florida* by a Navy ship safety watch and, almost at the same time, by an Electric Boat ship safety watch. When the four men identified themselves as protesters, the Navy safety watch immediately reported the situation to the Navy duty officer on the *Florida*, and also promptly alerted Electric Boat Security, while the Electric Boat safety watch immediately notified the Safety Communication Center of what was happening. Electric Boat Security arrived at the ship within a few minutes after notification, took the four men into custody and turned them over to the Groton City Police Department. Electric Boat also commenced a search of the other submarines on the waterfront.

One of the four intruders had on his person leaflets, which were discovered by the police, describing the purpose of their actions. Since the leaflet identified nine persons as members of the group but only four had been taken into custody as of that time, Electric Boat was alerted by the Groton City Police to the possibility that five additional protesters might still be in the shipyard. Consequently, the search by Electric Boat Security was intensified and expanded, with priority given to the most sensitive areas of the shipyard, beginning with submarines under construction and then extending to key production locations, to engineering, design and administration buildings and finally to outlying storage areas. At approximately 7:10 a.m., the other five persons whose names appeared on the leaflet were discovered in a storage area for unclassified material in the south yard. It should also be noted that the characteristics of the area are such that it contains numerous convenient places of concealment and, in addition, no work was under way in that area during that time, which would have resulted in the intruders being noticed and challenged by members of the regular work force. When these five intruders were discovered, it was observed that they had caused damage to two sonar spheres stored in that area. This group was also taken into

custody by Electric Boat security personnel until the arrival of members of the Groton City Police Department.

In the case of the four men who boarded the *Florida*, investigation disclosed an aluminum canoe, approximately 18 feet long and painted black, tied up to the lower staging on the north side of the *Florida*. Apparently the four used this canoe to violate the security zone and board the *Florida*. In the case of the five persons apprehended in the south yard storage area, investigation disclosed a freshly cut hole in the perimeter fence located behind Division property on Eastern Point Road. It is believed that this group had cut that hole in the fence and used this as their means of entry into the Electric Boat shipyard. Security records show that Electric Boat security patrols had been through the areas in question shortly before the break-in.

Detex clocks had been punched by the security patrols at locations near the south yard break-in point at 1:45 a.m. and 3:25 a.m. The break-in appeared to be a carefully planned and executed operation. The organization behind it has considerable experience with civil disobedience activities and its members are dedicated to their cause. While most prior violations of the law by the organization have been largely of a symbolic nature, we are concerned that the recent Electric Boat incident and the earlier one at the General Electric plant at King of Prussia, Pennsylvania, may indicate that the organization has adopted a new approach—namely, secret night time break-ins to defense plants and intentional damage to or destruction of defense plants.

I would now like to talk briefly about what I regard as the fundamental question raised by the break-in. To lead into this question, I must first point out the general context in which we are presently operating, probably along with most other defense contractors. Electric Boat is not a remote military base protected by armed servicemen and elaborate alarm systems but is, instead, a private industrial facility with unarmed guards, charged with providing reasonable plant protection under peacetime conditions. I am sure you will agree that almost any facility can be penetrated by a determined group of people with proper planning, training and equipment. I think you will also agree that protection against such penetration is especially difficult for a spread-out industrial facility along a busy river and in a densely populated community, when the standard established in our contracts for protection of the facility is "reasonable protection under peacetime conditions". In my mind the fundamental question raised by the break-in is: Under today's circumstances, is an industrial level of plant protection "under peacetime conditions" high enough for sensitive, key installations such as Electric Boat? I believe the question is of nationwide applicability even though Electric Boat seems to be a peculiarly attractive lightning rod for protesters because of its role in the Trident program. I also believe that this is a policy question to be decided by the Government after considering the cost/benefit trade-offs involved.

By virtue of the Navy presence on board the submarine during the later stages of construction, crew members provide an additional element of security protection in the course of carrying out their principal duties. However, protection of the submarines against unauthorized access and against damage by outside intruders is EB's responsibility. As the final item in my statement, I would like to bring to your attention the fact that the actions of the protesters on July 5, 1982, appear to be clear-cut violations of a number of Federal criminal statutes with severe penalties.

While the State of Connecticut is taking action against those responsible for violations of State law, to the best of our knowledge the United States Government has not as yet taken any publicly visible enforcement action. In my opinion the Government should vigorously prosecute those violations of Federal criminal law involved in the break-in and intentional damage to Government property. It was Government property that was the primary target of these actions, and demonstrable evidence of its intention to enforce the Federal criminal statutes involved could be an effective deterrent to future incidents of this kind or more serious ones. Such enforcement action would show that the Government will not condone or tolerate destructive activities of this kind under the guise of free speech or peaceful protest against government policies.

That completes my statement, Mr. Chairman. I am now prepared to answer any questions you may wish to ask.

Senator COHEN. Would you like to add anything to Admiral Webber's statement of the events that took place on July 5?

Mr. TOVAR. No, sir. I believe he has covered this very well.

Senator COHEN. How long were the protesters on the yard property?

Mr. TOVAR. As far as we can estimate, about 3 hours.

Senator COHEN. How long did it take you to locate them initially?

Mr. TOVAR. The first group of four people who boarded the *Florida* were apprehended within 15 minutes, and that prompted us to start a search in the most vulnerable areas, which are the submarines in the water. The second most critical area, of course, is the area where ships are under construction, and then finally we go into the outlying areas; that is, the storage areas, and we discovered the five additional people in the nonclassified storage area in the south yard of our facility.

Senator COHEN. You discovered them as a result of information given to you by the other protesters?

Mr. TOVAR. That is not correct. The police did warn us that there may be additional demonstrators in the yard, but we would have continued our search without that information.

Senator COHEN. Three hours. By that time they could have done a lot of damage, could they not?

Mr. TOVAR. They could have done additional damage, yes, but in an area which is a storage area where we are storing mostly steel parts. I think the sonar dome was probably the one most valuable piece of equipment in that area, and the damage done on the sonar domes was relatively minor. They broke off some 80 studs out of about 5,000 on each sphere.

Senator COHEN. Do you agree with the $21,000 figure for the damage?

Mr. TOVAR. Yes, sir.

Senator COHEN. Tell me about the qualification of the guards that you use. How many guards do you have on your premises?

Mr. TOVAR. We have 63 guards on the premises, sir.

Senator COHEN. And tell me about their background, their training, their qualifications?

Mr. TOVAR. Most of our guards have previous experience. They are mostly retired police or military personnel with guard duty experience. We do training of the guards on the job, and we have seminars where some of the guards are being trained in specific areas like identification, first aid, and any other subjects which it is advisable for the guards to be familiar with.

Senator COHEN. What are the relative ages? How old are these people?

Mr. TOVAR. The average age of our guards is I believe 45 years of age, or 47.

Senator COHEN. What sort of physical fitness are they in?

Mr. TOVAR. Well, I can assure you I am always going to company events, and when I watch how they run and how they are competing with the other divisions of General Dynamics, I have to say they are in very good shape.

Senator COHEN. So you have to say that your guards maintain good physical fitness standards.

Mr. TOVAR. Yes, sir. They are required to pass a physical fitness test every year.

Senator COHEN. Do they have exercise facilities on the premises?

Mr. TOVAR. No; not on the facility.

Senator COHEN. Do you know, do they work out in various gymnasiums around?

Mr. TOVAR. I suppose so. I am not fully familiar with it, but I suppose they do the same as I do, sir. I go swimming frequently, I run around the block to get myself in shape, and I believe they would do the same.

Senator COHEN. So these people are in good physical condition. They run and train and keep their weight down and basically are capable of coping with intruders or protesters, or trespassers, or terrorists?

Mr. TOVAR. Terrorists may be questionable. Up to now, our guards have been able to cope with any situation. In fact, we had some 54 demonstrations since 1976 in which 565 people were arrested, and during that period not one forced entry has occurred.

Senator COHEN. You say 150 were arrested?

Mr. TOVAR. Five hundred and sixty-five people were arrested.

Senator COHEN. Who arrested them?

Mr. TOVAR. We apprehended them and turned them over to the local police. That is the Groton police force.

Senator COHEN. Why is it you have a situation where the people that you hire cannot make arrests? Why can they not make arrests on the spot? Why do you have to wait for the Groton police to show up?

Mr. TOVAR. They are not deputized, and, therefore, we do not have the right to arrest a person.

Senator COHEN. Is it not possible, in your opinion to have these people become justices of the peace?

Mr. TOVAR. I do not believe that that would improve the situation because up to now, as I mentioned before, have been able to detain these people until the Groton police arrive, and the Groton police are usually on the scene within minutes.

Senator COHEN. Do your guards that you have carry any arms?

Mr. TOVAR. No, sir.

Senator COHEN. Do they have any weapons?

Mr. TOVAR. No, sir.

Senator COHEN. Do they have any nightsticks?

Mr. TOVAR. No.

Senator COHEN. So if they are going to repel intruders or trespassers, they are going to do it physically without the use of either a nightstick or any other implement?

Mr. TOVAR. That is correct.

Senator COHEN. Do you think that would be adequate against somebody who really wanted to make a concerned attack against your ship?

Mr. TOVAR. No; in the case of saboteurs, I would say they are not equipped well enough.

Senator COHEN. Let's just say a group of very vigorous and enthusiastic protestors?

Mr. TOVAR. If we consider, sir, that these types of protesters in large groups of this type are going to continue or that the situation is even

going to get worse, I believe we will have to do something, either have more guards available or some other means of detaining people when they have once been discovered.

Senator COHEN. How many men were on duty that night?

Mr. TOVAR. There were nine guards on duty, sir.

Senator COHEN. Nine guards?

Mr. TOVAR. Nine; yes.

Senator COHEN. So if you had any kind of significant group of 25 or so, you would be outnumbered at least 2 to 1.

Mr. TOVAR. Well, you should recognize that all of the guards are wearing radios and they can quickly get help from the Groton police, and as I mentioned before, within minutes we can have a police patrol available.

Senator COHEN. How big is that yard?

Mr. TOVAR. The yard has 96 acres.

Senator COHEN. You have got nine people for 96 acres. It is pretty easy for individuals to roam around 96 acres without being discovered in the nighttime; is it not?

Mr. TOVAR. That is correct, sir, but as I mentioned, in the past we have had not one break-in with this number of guards. The situation, I agree, has changed, and we have to do something about it, and that is what we are investigating together with the Navy right now, sir.

Senator COHEN. Is any consideration being given to patrol dogs, for example?

Mr. TOVAR. We talked about dogs, but I believe if somebody is determined, he can neutralize a dog rather quickly.

Senator COHEN. He can neutralize a dog quicker than he can neutralize an unarmed retired person?

Mr. TOVAR. Yes, sir.

Senator COHEN. How so?

Mr. TOVAR. Well, I am not an expert, but my chief tells me that he has experience in dealing with police dogs, and it takes only minutes to get rid of a police dog.

Senator COHEN. I'll tell you, I would rather take on a guard-such as yours than a German shepherd attack dog.

Mr. TOVAR. Well, sir, you are not trained for sabotage. If you would be, I guarantee you you would have no problems with a police dog.

Senator COHEN. Let me just talk about the trespassers. Forget about the sabotage or the saboteurs. Let's just talk about ordinary individuals who are coming there to make mischief.

Do you not think the dogs would be a deterrent as opposed to nine people roaming 96 acres?

Mr. TOVAR. Well, it is difficult, you see. There are always people—working people, supervisors, Navy people—in the yard at all times. Now, granted at night, there are less than during the first shift and second shift, but nevertheless, the yard employs some 18,000 people, and I believe it is very difficult for a dog to determine an enemy from a friend.

Senator COHEN. What sort of guidance has the Navy been giving you in the past about your security precautions?

Mr. TOVAR. The Navy is monitoring out security efforts, and if they find deficiencies, they let us know in writing, and we, of course, correct them as quickly as possible.

Senator COHEN. What sort of constraints would be placed upon you in terms of making or taking additional precautionary steps?

Mr. TOVAR. There are several constraints, not only financially but also because of the location of the yard. For instance, the river is busy, the Thames River is very vulnerable; and it is going to be difficult under any circumstances to maintain security.

And on the east side, we have a main road passing in front of our facility. The fenceline is 7,700 feet. The waterfront is 4,200 feet. So it is not an easy task to make that place absolutely secure.

Senator COHEN. Well, I agree with that, but is there not something that can be done between absolute security and the kind of security or lack of security that existed prior to this event?

Mr. TOVAR. I really cannot agree with your statement "lack of security." We have proven in the past, as I mentioned before, from 1976 up to the date or the moment of the incident, we had not one break-in.

Now, granted, the situation has changed and the protesters, it seems, are willing to take more risks and start to break in. Now, therefore, we have to do something about it and improve our security. As of right now, I agree, our security may not be adequate for the new threat we can expect.

Senator COHEN. The fact that you did not have any break-ins before really is not any indication that the standards were even meeting minimal requirements. The fact that it did not occur before does not mean that security was adequate.

Mr. TOVAR. Well, under peacetime conditions, you would not have all kinds of special security if a threat does not exist, and under normal circumstances it does not, or at least it did not in the past, in my opinion.

Senator COHEN. What I am trying to suggest, without being critical of Electric Boat—as I indicated in my opening statement, I am not trying to single you out for any specific criticism—is, I think the problem is endemic to all of our yards. The fact is that the Navy does not even have any minimum standards that you can point to or say "this is the minimum that we require." We have an alarming increase in terrorist activities taking place throughout the world. It has not happened here yet, but it surely can, and the fact is that we have got to start taking precautions much more extreme than we have to date, and not simply rely upon the fact that we are in peacetime. Peacetime can evaporate rather quickly, and a potential terrorist attack on one of those yards to eliminate one of our major weapons systems is, I think, a real threat to our national security. So the fact that we say, "well, we are in peacetime," ignores the reality of the world situation. Somebody could go by with a grenade launcher or a shoulder-fired missile; or take something that is a mine just attached to the hull—someone could paddle up in a black canoe, take a mine, stick it on the hull of that ship and blow a hole through it, and probably get away without even being detected. And the fact that we are in peacetime really is not an answer. And I am not talking just about Electric Boat; I am talking about all of our yards.

Mr. TOVAR. I fully agree with you, Mr. Chairman, that the threat exists today and we have to do something about it.

Senator COHEN. Senator Byrd?

Senator BYRD. Your statement said that leaflets were discovered on this person. What were the leaflets, and what was their purpose?

Mr. TOVAR. The leaflets I saw, sir, indicated that they were against the United States building the Trident ballistic missile submarines, and they criticized the U.S. Government in not doing something about it. They indicated that criticism is not enough and therefore they have to take the law into their own hands and damage or even destroy our weapons.

Senator BYRD. There were nine individuals involved?

Mr. TOVAR. Yes, sir.

Senator BYRD. Were they Americans or foreigners?

Mr. TOVAR. They were American citizens, I believe. I cannot vouch for that.

Senator BYRD. And your statement says the Government has not prosecuted?

Mr. TOVAR. They are presently in jail in the State of Connecticut. The Federal Government has not, as far as I know, made any attempt yet to prosecute them, sir.

Senator BYRD. Of course, the Federal Government has the leaflets.

Mr. TOVAR. I believe they do, yes.

Senator COHEN. Have you changed any of your security regulations since that time?

Mr. TOVAR. Yes, sir, we have increased our patrols and we have improved our lighting around the facility. We have installed some other electronic instruments, but because of security reasons, I would prefer not to mention where they are located.

But yes, my answer to your question is yes, we have done something about it, sir.

Senator BYRD. Thank you.

Mr. TOVAR. You are welcome.

Senator COHEN. Mr. Tovar, who is responsible for the security precautions at Electric Boat, and does that individual report directly to you or to the main General Dynamics office?

Mr. TOVAR. Of course, we are responsible, and I have a director of security, and he reports directly to me.

Senator COHEN. Those are all the questions I have for you in open session, Mr. Tovar.

I would like at this point to declare the meeting to be closed so we may go into executive session to take more testimony from both the Navy and you concerning what precautions are being taken and those questions should be answered in closed session.

The meeting will be closed, and we will have a 5-minute recess while staff clears the room.

[Whereupon, at 10:26 a.m., the subcommittee recessed, to reconvene at 10:31 a.m. in executive session.]

EXECUTIVE SESSION

Senator COHEN. Admiral Webber, why don't we begin. Before you proceed, I think Senator Byrd would like to ask a question. Before he does, let me say that it seems to me we are now in the middle of a nu-

clear freeze movement that is sweeping Europe as well as the United States. Consequently, it seems reasonable to anticipate that in the future it might not be merely nine demonstrators coming into Electric Boat in a canoe, but that we face the very real prospect of seeing significant numbers of people taking actions, fairly aggressive actions, to cause a lot of disruption. I think it is reasonably predictable that we are going to go through some very difficult times in the coming years over the whole issue of a nuclear freeze movement, and we ought to be prepared for it.

Admiral WEBBER. Yes, sir.

Senator COHEN. Senator Byrd?

Senator BYRD. Let me ask you this overall question.

How does the security at Electric Boat compare with the security at Norfolk Naval Shipyard?

Admiral WEBBER. I would say [deleted] Senator. Norfolk is also a large industrial facility with a lot of waterfront area and a land perimeter, [deleted].

Senator BYRD. Even the Navy-run shipyards.

Admiral WEBBER. Yes, sir.

Senator BYRD. And I would assume the same would apply to Newport News.

Admiral WEBBER. [Deleted.] The naval shipyards enjoy the advantage of having crews on the commissioned ships [deleted].

Senator BYRD. Well, what happened at Groton, does that give you great concern?

Admiral WEBBER. Yes, sir, it certainly does, and I would like to make a few remarks at the appropriate time to indicate that we have done some additional looking. We have talked to intelligence sources since the incident, all of which have led us to an additional degree of concern that I will be happy to share with you.

Senator BYRD. Are you tightening your security arrangements at your own shipyards, the Navy's own shipyards?

Admiral WEBBER. Yes, sir, we are in the process of doing that. As I indicated earlier, we have a special nine-man group led by the production officer from one of our naval shipyards who are working full time on this job. They will survey all of our yards. We have a degree of sorting out to do between the jurisdictional question and the physical security devices provided. Our objective, of course, is to achieve an upgrading in all of our industrial shipyard activities.

Senator BYRD. But what happened in Connecticut could happen just as easily, I suppose, in Virginia?

Admiral WEBBER. [Deleted.]

Senator BYRD. Thank you.

Senator COHEN. Admiral, do you have some comments you would like to make in closed session?

Admiral WEBBER. Yes, sir, I would like to talk about the threat as I see it in a little more detail than I would prefer to do in open session.

Senator BYRD. Excuse me just a minute. I assume that your replies to my question are not classified.

Admiral WEBBER. Yes, sir, it is.

Senator BYRD. It is classified.

Admiral WEBBER. Yes, sir. [Deleted.]

Senator BYRD. Well, I think you have a good point.

What do I say? I will be queried when I leave here as to whether something like this could have happened in the Virginia Shipyards.

Admiral WEBBER. My honest answer to that [deleted] we are taking steps. We are tightening our controls, [deleted]. That is, how I would phrase it.

Regarding the threat, Mr. Chairman, you are completely correct in assessing that an increased level of terrorism is going on. It is very active in Europe. You see more and more of it every day. We have not seen much in this country, but there has been some. We have had the Weathermen and other various activities. We have just recently had the Naval Investigative Service run a survey to assess the threat in all of our shipyards. We receive rather mixed returns. In some shipyards or some localities where there was a very active, credible activist climate, the Naval Investigative Service, felt that yes, there was a possibility in those areas. In other yards they felt not. However, in my opinion it is only a matter of time until a threat could occur almost anywhere. Therefore we have to be prepared for it at all of our shipyards.

[Deleted.]

Senator COHEN. What about [deleted]?

Admiral WEBBER. [Deleted.] We are going back and will draw upon the experience [deleted].

[Deleted.]

One other factor I might point out [deleted].

I am personally quite concerned over this subject.

[Deleted.]

Those are my own personal thoughts on where I see us heading. It is not going to be cheap, however.

Senator COHEN. We are not going to get much notice either. They are not, in all probability, going to be telegraphing that they are coming, and I agree with you that it is a question of how you balance security with financial investments.

Admiral WEBBER. Yes, sir.

Senator COHEN. [Deleted.] And I also wanted to say while we were in open session that I had a tour of the Nike missile bases in Europe, [deleted.]

Admiral WEBBER. Yes, sir.

Senator COHEN. Well, perhaps, Admiral Young, you can give us the benefit of your experience in Portsmouth.

Did you find a similar set of circumstances there?

Admiral YOUNG. Not exactly the same. By that I mean when you have got, like I mentioned earlier, you have got [deleted].

The second thing is they are ships in overhaul. You have people topside. You don't have that at Electric Boat.

And the third thing is, as a result of a problem we did have at Portsmouth, [deleted].

Senator COHEN. You were hinting [deleted].

Admiral WEBBER. Yes, sir. There have been a number of [deleted] devices, [deleted]. I think they are using one of them now at Electric Boat, or have started to use it.

Mr. TOVAR. [Deleted.]

And we are going back to one of our sister divisions to try to do something about it [deleted].

Admiral WEBBER. I was just going to say that [deleted] hold a promise of fairly near-term action we can take that will give us additional protection.

Senator COHEN. What sort of actions have you taken since July 5, Mr. Tovar?

Mr. TOVAR. [Deleted.] And as Admiral Webber already indicated, he has a team working to assess security in all the shipyards, and we are working very closely together with the Navy to see what suggestions and recommendations they can make, and we of course will follow suit.

Senator COHEN. Admiral, what happens in terms of the responsibility for the nuclear core of the submarine? Do you have jurisdiction over that or does Electric Boat? How does that work?

Admiral WEBBER. The core is originally delivered by the Department of Energy. They retain custody and it is transported on a special train. It is then transferred in the shipyard to the supervisor. In a naval shipyard, the shipyard commander assumes custody. It is then delivered to the ship and custody is transferred to the prospective commanding officer of the ship. There is a formal transfer in each case. When the core is loaded in the ship it is loaded inside a pressure vessel and welded in place. The commanding officer then retains responsibility for it.

Senator COHEN. Even though it is still under the jurisdiction of the private boatyard?

Admiral WEBBER. Yes, sir, that is correct. That is an exception in the general.

Senator COHEN. [Deleted.]

Mr. TOVAR. The shipyard does.

Admiral WEBBER. Yes, sir. [Deleted.]

Senator COHEN. What ideally would be the situation? Suppose you have another example of somebody paddling up under the cover of darkness, dressed in black, heading to Electric Boat yard? What should be done at that point? How would you handle that?

Mr. TOVAR. Well, as I indicated, we have improved and enlarged the security measures. Of course, the past incident has alerted all our people, and I was surprised myself, I have talked to some of them to be sure that they are watching now themselves. Usually after people are inside the work force [deleted] but usually these people working always in the same area of the yard know each other very well. They can detect an intruder relatively quickly.

Senator COHEN. Is it possible [deleted]?

Mr. TOVAR. Yes, sir, there is a device. I read about it the other day, [deleted].

Senator COHEN. How expensive is that to install?

Mr. TOVAR. That can range anywhere from $100,000 to $200,000.

Senator COHEN. What are some of the other actions, Admiral Young or Admiral Webber, that could be taken to provide enhanced protection on the waterfront?

Admiral WEBBER. [Deleted.]

Senator COHEN. The Coast Guard budget is down.

Admiral WEBBER. Yes, sir. I don't want to say so, but frankly, I would not like to have to count on a third agency. I think if we are going to do it, we ought to do it where it would be under our control and therefore we would have the assurance that it could be continuous. As you point out, the Coast Guard budget is down, and they may transfer the station. The Coast Guard is not located in close proximity to all of our shipyards anyway.

[Deleted.]

Admiral YOUNG. [Deleted].

Senator COHEN. Mr. Tovar, did you want to make a presentation with respect to the viewgraph?

Mr. TOVAR. Certainly, sir.

I have brought some viewgraphs as you requested [viewgraphs deleted] which show our facility, especially at the time of the incident on July 5. This is the Groton shipyard of Electric Boat. As you can see, the water, especially the waterfront area, is very rugged and broken, and it is very difficult to maintain.

By the way, the channel and security zone runs about in this direction. I have another chart which will indicate that. This is our land level facility where we are building the Trident submarine. You see right now the 730 boat sitting here, and the 729 boat down in the drydock.

As to the Connecticut location, this is the shipyard on the Thames River, and of course, the Thames River is a busy waterway with not only military ships running up and down, but a large fleet of sailboats and powerboats and of course commercial vessels running up and down the river.

This is our current fenceline, as I mentioned before. It is about 7,400 feet long. As you see, it is very—and especially in this area, which is the south section of the yard, [deleted].

Now, we do have no-trespassing signs all around the facility, as you can see, and we have several photographs like that. The same also on the waterfront area. You see, this is one typical picture of the waterfront. We have pilings, [deleted]. This is the security zone established by the Coast Guard which says that no waterborne craft is allowed into that area without permission of the captain of the port.

We have divided the yard into different patrol areas, so you can see, [deleted].

Senator COHEN. How many men do you have on duty during the daytime?

Mr. TOVAR. During the day we have about [deleted] officers on duty, sir.

Senator COHEN. Is that because you have a larger population during the day?

Mr. TOVAR. Yes, and they are manning gates, and we have got a total of eight gates in the facility, and of course, when people are on shift changes, when they come in and go out, we have to man each gate with two guards. That is why you see a much larger number of guards during the first and second shift. The second shift has [deleted] guards, while the third shift on an average has [deleted] guards. And on the weekends we have an average of [deleted] guards.

Senator COHEN. Of course, in terms of any sort of threat to the security of the yard, it is more likely that those who would seek to vandalize would do so under the cover of darkness.

Mr. TOVAR. That is correct, but they average [deleted] guards during the night. Out of the [deleted] are on stationary duties. The rest are patrolling. During the day the number of patrols are [deleted]. We have increased the patrols [deleted].

Senator COHEN. Ninety-six acres, it still is a big area to cover.

Mr. TOVAR. Yes, sir.

You should also know that we have [deleted] trained hourly people in key areas like, for instance, crane operators which are well elevated and have a very good view over the yard, riggers on the waterfront who are constantly walking on the docks, and they are monitoring any strange activity on the waterfront. The break-in occurred at this point here. This is the location of the two spheres, and this is where the five people broke through the fence, over here, and of course, the group of four intruders boarded the *Florida*, which was in this position, on the night of July 5.

This gives you an indication of where a security guard was on the night of the fifth. We have located throughout the yard some key areas where the security has to punch in their clocks, and in fact, we have a [deleted] key positions. Now what are shown here are key positions and mostly [deleted] and some buildings over here.

Now, the break-in, we feel, occurred around maybe 4 o'clock in the morning. The last patrol was there [deleted]. So I have reason to believe that they were sitting in the bushes watching, and the minute the patrol turned their back, they got ready to cut through the fence.

Senator COHEN. How often would that person patrol the area?

Mr. TOVAR. Well, it shows you the patrol was there [deleted] and the next patrol was there at [deleted] was the other patrol over here. So it was [deleted] you get a patrol in that area.

Senator COHEN. Do you vary that time?

Mr. TOVAR. Yes, sir.

Senator COHEN. In other words, it is not the same [deleted] hours.

Mr. TOVAR. No, sir. Constantly, we vary it [deleted].

This is a picture of the two sonar spheres, by the way, Trident spheres. We have a close-up actually of the damage, and if you read in the paper the statement of the intruders, they were in an open area. This is a main road through the yard, and all this here is storage area, and the intruders were located about in this area.

This is the other view of the shipyard from the waterfront, and the two sonar spheres as located over here. By the way, the break-in was about here in this wooded area.

This is one of the two spheres, and you see some blood-like substance was smeared onto the sphere, and some slogans hung on there, plus some damage in this area to the studs, and that is the second sphere. You see broken studs here, and a total of about 80 studs were broken off.

Senator COHEN. Was that with a hammer?

Mr. TOVAR. Yes, with a hammer. They are relatively easy to break off.

You see the studs where the sonar sensors are mounted after the unit is installed on the ship.

Senator COHEN. Wouldn't that make quite a noise at nighttime?

Mr. TOVAR. No. There is always some noise going on in that shipyard, and to break off a stud like that makes very little noise.

Now, when it comes to the missile hatch cover, of course, when you bang on that, that makes a much bigger noise than breaking off a stud, and this is one of the missile covers which was damaged in this area. I have a close-up of the location of the sealing surface. This is the sealing surface of the missile hatch cover, and you see the hammer mark blows over here. In the meantime, they have been repaired and are fully functional. The cover has not been damaged per se.

Now, Admiral Webber already mentioned that we have [deleted]. One location [deleted] and the other one over here, and the yellow shaded area indicates their [deleted]. The dotted line here shows the security zone start in this direction, and it is also the northeast side of the channel of the Thames River.

Senator COHEN. That is just a [deleted]?

Mr. TOVAR. Pardon?

Senator COHEN. That is just a [deleted]?

Mr. TOVAR. Yes, this is [deleted]. They have [deleted]. And the grey areas you see here are the additional patrols we had installed since this incident, this whole area. And of course, [deleted], the patrols will go to that particular area and investigate. [Deleted].

We mentioned before that we at Electric Boat would want to or intend to [deleted], and that is what this chart indicates. [Deleted], and the part in red [deleted].

We may install [deleted], and within minutes a patrol will be there to investigate.

This is the actual area where the intruders cut through the fence. They slit the fence through here, pushed the wire apart and entered the facility. As you see, there is a path between the fence and any brush for patrols who go around the fence or along the fence. This gives you an indication of our increased man-day surveillance we have put on the facility on off-shifts or on weekends, and you can see from [deleted] weekend patrols, we have increased it [deleted]. Now, that is not to say—and by the way, we have done that with working overtime and have not yet hired additional guards. Depending on the [deleted] systems we are investigating, we will re-evaluate our requirement for the number of guards for this facility.

This is all I have on charts and photographs, sir, and I am ready to answer any more questions that you may have.

Senator COHEN. Admiral Young, does anyone carry weapons at the shipyard that you are familiar with?

Admiral YOUNG. [Deleted].

Senator COHEN. Do you think it would be an advisable thing to have a SWAT team as a backup at a facility? What happens, for example, if you had some armed people try to take possession of a Trident or another submarine.

Admiral YOUNG. [Deleted.]

Newport News is developing it primarily for crowd control and some of the problems we have with strikes down there.

Admiral WEBBER. Some of the yards where we have Marines, in fact, [deleted]. Some of the naval shipyards such as Mare Island and Pearl Harbor have marines.

Senator COHEN. Off the record.

[Discussion off the record.]

Senator COHEN. Back on the record.

When you are dealing with something as important as a major element of deterrent in our strategic Triad, it seems to me that we ought to be thinking more and more in terms of having the maximum kind of protection that is affordable.

What would it take, for example, to have a terrorist—you mentioned [deleted] before. You weren't talking about the Navy [deleted] but something comparable, [deleted].

Admiral WEBBER. Yes, sir.

Senator COHEN. [Deleted.] You have got a real problem, [deleted].

Mr. TOVAR. I have to agree that possibility always exists, and the only answer I can give you is at least that is my personal opinion that it is very unlikely that that will happen [deleted].

Senator COHEN. I don't think it is going to happen that way. I don't think you are going to see [deleted]. What I think you are going to see take place, what they usually will do [deleted] except that you have got a real problem in terms of what happens, and that is the way I would anticipate [deleted], and I would think that they would do so with very little ability for anybody to point the finger at them and saying they are the ones responsible. I think we ought to think in different terms, [deleted].

We have not seen any evidence that I have read about that Soviet interests, with one exception in terms of someone from the Embassy taking an interest in some of the peace demonstrations taking place, but that has been the only incident that I think we have seen to date.

I think that is all we will have for now. We will ask the rest of the questions that we have for the record.

[Questions, with answers supplied, follow:]

QUESTIONS SUBMITTED BY SENATOR WILLIAM S. COHEN

BREAK-IN AT ELECTRIC BOAT

Senator COHEN. Admiral Webber, what are the arguments in favor of Federal prosecution of the protesters involved in the July 5, 1982 break-in at Electric Boat?

Admiral WEBBER. The argument in favor of Federal prosecution is that such prosecution would evidence Federal intent to enforce physical security. Prosecution under local statutes, however, offers greater flexibility and for that reason the U.S. Attorney elected to allow Electric Boat Company to pursue a remedy under State criminal law.

Senator COHEN. Admiral Webber, what inspections of security have been made at Electric Boat by any agency of the Federal Government during the period July 1, 1979 through June 31, 1982?

Admiral WEBBER. Security inspections made at Electric Boat by Federal agencies during the period July 1, 1979 through June 30, 1982 are as follows:

Defense Investigative Services (DIS) and the Supervisor of Shipbuilding conduct joint security inspections twice a year in May and November. Inspections were conducted in 1979, 1980, 1981 and May of 1982. The Naval Sea Systems Command also inspected Electric Boat in May 1982.

Senator COHEN. Admiral Webber, I am told that in the past we employed Marine Guards at all our bases and public shipyards, and that over the years we have seen fit to reduce them considerably and to replace them with civilian personnel. Were the Marine guards effective?

Admiral WEBBER. Marine guards were used at Naval Shipyards and are still being used at some yards. Their role was, and is, twofold; access control at perim-

eter gates and response to intrusions in the Controlled Industrial Areas. The Marine guards are effective in these roles.

Senator COHEN. Why did we replace them? And are you considering a return to Marine guards?

Admiral WEBBER. Marine guards were replaced by civilian guards for three basic reasons: (1) training costs are less for civilian guards since Marines require training for guard, military and professional duties, whereas civilian guards need only be trained for guard duty; (2) the cost of supporting a Marine guard is greater than that of supporting civilian guard, (a Marine must be provided with barracks, food, recreational and administrative support, as well as medical services which need not be provided for a civilian guard); and (3) the demand for Marines for other, combat related duties has increased, making it more difficult for the Marine Corps to afford Marines for shipyard guard duty.

We are evaluating the increased use of Marines for restricted area perimeters and critical asset security. This question is being addressed by the Shipyard Physical Security Review Group.

Senator COHEN. Mr. Tovar, please summarize the arguments in favor of Federal prosecution of the protesters involved in the July 5 break-in, as you perceive them.

Mr. TOVAR. In our view, Federal laws and regulations constitute a more formidable arsenal with which to deter future conduct of this kind. In addition, they are more directly applicable than State criminal mischief or criminal trespass statutes—for example, Federal sabotage-type laws, violation of a duly established security zone, unauthorized boarding of a vessel under construction for the Navy, and the like. In addition, the protesters' conduct was expressly directed against the U.S. Government's Trident program, rather than against "private property" of Electric Boat. Vigorous Federal prosecution, followed by meaningful penalties upon conviction, would send a clear-cut message to protest groups throughout the Nation that such conduct will not be tolerated by the U.S. Government and that it will be swiftly and severely dealt with, regardless of the sincerity or personal beliefs of the actors.

Senator COHEN. Mr. Tovar, what are the factors which will determine how many guards you decide to hire? Mr. Tovar, approximately how many guards do you think will eventually be employed for the protection of the shipyard at Groton?

Mr. TOVAR. The most important factor which will determine the number of guards we hire, and the number eventually employed for the protection of our shipyard, will be the revised standards for physical security which are adopted by the Navy after its review of the report of the NAVSEA special security review team. The other principal factor, I believe, will be the results achieved in using advanced technology, in lieu of people, to meet some of the revised standards, and the comparative cost trade-offs. So until these two key factors become known, there is no way I can make even an educated guess at the number of guards we will ultimately employ at our Groton yard.

Senator COHEN. Admiral Young, I appreciate your coming back a day early from a very beautiful climate, and I thank all of you for testifying.

I hope I have made is clear that we are not here to try and condemn or criticize but hopefully learn some lessons from this.

I understand you are going to be appearing before a House panel tomorrow and will be confronted or presented with the same kind of questions, perhaps in a different light. But hopefully we can learn from this and try to be a little bit better prepared in the event it starts in the future. [Deleted.] I think it was a lesson that we got away with rather painlessly in terms of the amount of damage that was done. Even though we are all embarrassed by it, I think it is a lesson well learned.

Thank you very much, Mr. Tovar.

[Whereupon, at 11:16 a.m., the subcommittee recessed subject to the call of the Chair.]

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NOMINATION OF W. PAUL THAYER TO BE DEPUTY SECRETARY OF DEFENSE

HEARING

BEFORE THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

NOMINATION OF

W. PAUL THAYER TO BE DEPUTY SECRETARY OF DEFENSE

DECEMBER 14, 1982

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NOMINATION OF W. PAUL THAYER TO BE DEPUTY SECRETARY OF DEFENSE

TUESDAY, DECEMBER 14, 1982

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, D.C.

The committee met in open session, pursuant to notice, at 2:20 p.m., in room 212, Russell Senate Office Building, Senator John Tower (chairman) presiding.

Present: Senators Tower, Thurmond, Warner, Jepsen, Quayle, Denton, Brady, Stennis, Jackson, Cannon, Byrd, Jr., and Levin.

Staff present: James McGovern, staff director and chief counsel; Francis J. Sullivan, minority staff director; Alan Yuspeh, general counsel; Christine C. Dauth, chief clerk; Anthony J. Principi, counsel; Michael B. Donley, Frank J. Gaffney, George K. Johnson, Jr., David S. Lyles, José E. Martinez, Patrick L. Renehan, and Carl M. Smith, professional staff members; Tamara L. Jones, staff assistant; and Gerald D. Strickler, printing and documents clerk.

Also present: Dennis P. Sharon, assistant to Senator Goldwater; Jim Dykstra, assistant to Senator Cohen; Jon Etherton, assistant to Senator Jepsen; Hank Steenstra, assistant to Senator Quayle; John Campbell, assistant to Senator Warner; Cindy Taylor, assistant to Senator Levin, Robert Nichols, assistant to Senator Jackson; Frank Krebs, assistant to Senator Cannon; Greg Pallas, assistant to Senator Exon; Colleen Getz, assistant to Senator Brady; and Al Cameron, assistant to Senator Denton.

OPENING STATEMENT BY SENATOR JOHN TOWER, CHAIRMAN

Chairman TOWER. The committee will come to order.

This afternoon we welcome Mr. W. Paul Thayer.

Mr. Thayer, would you care to take a seat next to Senator Bentsen at the witness table.

Mr. THAYER. Thank you, Mr. Chairman.

Chairman TOWER. Mr. Thayer has been nominated by President Reagan to be the Deputy Secretary of Defense. Mr. Thayer's nomination reference and biographical sketch will be entered into the hearing record.

[The nomination reference and biographical sketch follow:]

NOMINATION REFERENCE

AS IN EXECUTIVE SESSION,
SENATE OF THE UNITED STATES,
December 7, 1982.

Ordered, That the following nomination be referred to the Committee on Armed Services:

W. Paul Thayer, of Texas, to be Deputy Secretary of Defense, vice Frank C. Carlucci, resigned.

BIOGRAPHICAL SKETCH OF W. PAUL THAYER

November 23, 1919, born Henryetta, Oklahoma.
1934–1938, High School, Wichita, Kansas.
1938, Wichita State University.
1940–1941, University of Kansas.
1941–1945, U.S. Navy, Lieutenant Commander, Fighter Pilot, Africa and Pacific Theater.
1946–1947, Co-pilot, Trans World Airlines.
1948–1949, Test Pilot, Chance Vought Aircraft.
1949–1950, Chief Experimental Test Pilot.
1950–1952, Chief Experimental Test Pilot, Northrop Aircraft.
1952–1954, Chief of Vought Flight Test Department and Manager of Sales and Service.
1955–1960, Vice President of Sales and Service, Chance Vought Aircraft.
1961–1969, President, Chance Vought Aircraft, now a Division of LTV.
1970–1982, Chairman and Chief Executive Officer, the LTV Corporation.

Awards and Honorary Degrees: Distinguished Flying Cross with Two Gold Stars, the Air Medal with Nine Gold Stars—1942–1945; J. N. Doolittle Award Society of Experimental Test Pilots—1968; Kitty Hawk Award, presented by the Los Angeles Chamber of Commerce; Robert M. Thompson Navy League Award for Outstanding Civilian Leadership—1979; University of Kansas Distinguished Service Citation for Service to Mankind—1979; City of Hope's Aerospace Man of the Year Research Fellowship Award—1980; Horatio Alger Award—1982; Salem College of West Virginia, Honorary Doctorate—1981.

Associations: Chairman of the Chamber of Commerce of the United States; National Exploring Chairman of the Boy Scouts of America; Board of the Business Roundtable; General Chairman of the United Nations Association of the United States—1977; Board of Governors for Junior Achievement; Fellow in the Society of Experimental Test Pilots; Member of the National Advisory Council of the Navy League; Chairman of the National Corporate Advisory Board of the Vietnam Veterans Memorial Fund; Dallas Citizens Council; Dallas Council of World Affairs; The Board of Trustees of the Greater Dallas/Fort Worth Chapter of the Leukemia Society of America, Inc.

Board of Directors: Mercantile Texas Corporation; Altec Corporation; Allied Corporation; Anheuser-Busch Companies, Inc.

Personal: Married to Margery Schwartz, February 14, 1947. One daughter, Brynn.

Chairman TOWER. It is a very great pleasure for me to have the opportunity to welcome Mr. Thayer to the committee. He is from Texas. He has for many years been a respected business leader in Texas as well as the Nation, serving as the president of the U.S. Chamber of Commerce.

He has a splendid background as a fighter pilot, test pilot, and corporate executive. Generally speaking, he is just an all-around good and able person.

I will enter the remainder of my remarks in the record. We have another distinguished gentleman today who will present Mr. Thayer to the committee.

[The prepared statement of Senator John Tower follows:]

PREPARED STATEMENT BY SENATOR JOHN TOWER

It is a special pleasure for me to have the opportunity to introduce Paul Thayer to the committee, since Mr. Thayer is from the State of Texas and for many years has been a very respected business leader in Texas as well as the nation. I think that Mr. Thayer's nomination is an excellent one, and I would like to take a moment to tell members of the committee a little about him.

Mr. Thayer was a fighter pilot and combat ace with the U.S. Navy during World War II. Later he became a test pilot for experimental planes and was the first pilot to break the sound barrier in a Navy fighter.

For most of his career, Mr. Thayer has been associated with the Vought Corporation or its successor, the LTV Corporation. Since 1970, he has been Chairman of the Board of LTV. LTV is one of the Nation's largest corporations, and operates in four major industries—steel, energy products and services, aerospace, and ocean shipping. Obviously, Mr. Thayer has broad managerial experience from his management for many years of an enterprise with more than $7 billion in revenues and, at times, more than 70,000 employees. I think that those management skills will be most useful in his new assignment.

Mr. Thayer has also been active in a variety of civil activities, he is presently Chairman of the Chamber of Commerce of the United States, and has been National Exploring Chairman of the Boy Scouts of America. He serves on the Board of the Business Roundtable. He has been Chairman of the United Nations Association of the United States and is past Chairman of the Vietnam Veterans Memorial Fund. He is a member of a number of other boards and organizations, and has received numerous honors and awards both for his civic contributions and his business achievements.

I understand that Margery, Mr. Thayer's wife, is with us today, and we are very pleased to have her here as well.

I would also like to note for the record of this hearing that Mr. Thayer has met with the staff of the committee to review his financial holdings and to insure that he will be in compliance with our committee's requirements so as to avoid any conflict of interest between his personal finances and his governmental responsibilities.

Chairman TOWER. I am pleased to call on my able and distinguished colleague, Senator Bentsen.

STATEMENT OF SENATOR LLOYD BENTSEN, A U.S. SENATOR IN CONGRESS FROM THE STATE OF TEXAS

Senator BENTSEN. Thank you very much, Mr. Chairman.

One of the privileges of the chairman of the committee and the senior Senator from Texas is to preempt most of what the junior Senator will say.

I am glad to be here to help introduce Mr. Thayer who is no stranger to this committee. He has as you well know, been nominated by the President for the position of Deputy Secretary of Defense.

He is a man who has a long and distinguished record as a chief executive, a man who has shown great courage and who is interested in building a strong defense. However, in his role as president of the U.S. Chamber of Commerce he was not a bit hesitant to speak out about cutting back on waste and extravagance wherever it might occur, including the Defense Department.

He is a broad-gaged man and he will serve well in this capacity. He will certainly complement the assets shown by the Secretary of Defense.

So it is with a great deal of pleasure that I am here to support this nomination and hope that all members of this committee will readily approve his nomination.

I have a more elegant statement that has been prepared that I would like to include in the record at this time.

Chairman TOWER. Your statement will be entered in its entirety for the record, Senator Bentsen.

[The prepared statement of Senator Lloyd Bentsen follows:]

PREPARED STATEMENT OF SENATOR LLOYD BENTSEN

I thank the distinguished Chairman, and members of the Senate Armed Services Committee, for this opportunity to appear before you today and introduce a distinguished fellow Texan, W. Paul Thayer, who has been nominated by President Reagan for the position of Deputy Secretary of Defense.

Mr. Thayer is certainly no stranger to this committee. You have had the opportunity to work with him on many occasions and are familiar with his outstanding record both as Chairman and Chief Executive Officer of LTV Corporation for the past 12 years, and most recently as Chairman of the U.S. Chamber of Commerce.

Although he was born and reared in Oklahoma, Mr. Thayer—realizing that the grass was greener on the other side—moved to Texas at the first opportunity. After serving as a Navy fighter pilot during World War II, earning the Distinguished Flying Cross with two Gold Stars, Mr. Thayer moved to Dallas, in 1948 and went to work for Chance Vought Aircraft as an experimental test pilot.

Mr. Thayer's firsthand knowledge of military aircraft and his dedication and no-nonsense approach to business allowed him to rise through the ranks of Vought Aircraft to become President and Chairman of Vought and its successor company, LTV Corporation, in 1970.

While Mr. Thayer's accomplishments as Chairman of LTV have been well chronicled by the Chairman of this committee, I find it particularly noteworthy that Mr. Thayer's leadership and managerial skills have earned him the respect of businessmen in and out of the aerospace industry, resulting in his selection as Chairman of the U.S. Chamber of Commerce in 1982. In that capacity he has actively supported and spoken out in favor of efforts to reduce wasteful spending in all areas of government, including defense, in order to reduce the Federal deficit and put our country on the road to economic recovery.

Mr. Thayer is a broad-gauged man, his commitment to building a strong national defense is unquestioned, but, he is equally committed to eliminating wasteful and unnecessary spending.

Mr. Chairman, his business acumen and dedication to the principle that the American taxpayers deserve the very best for their tax dollar, particularly qualify Mr. Thayer for the job of Deputy Secretary of Defense.

It is, indeed, a pleasure to appear before you on behalf of Paul Thayer, and I sincerely hope that the members of this committee will agree with my assessment of Mr. Thayer's credentials and act favorably on his nomination.

Thank you very much.

Chairman TOWER. It is my understanding that Mr. Thayer's wife, Margery, is here today.

Margery, will you stand? We are delighted to have you.

I would like to note for the record that Mr. Thayer has met with the staff of the committee to review his financial holdings and insure that he will be in compliance with our committee's requirement so as to avoid any conflict of interest between his personal finances and his governmental responsibility.

Mr. Thayer, Senator Goldwater has a statement that I will place in the record in its entirety in which he says, "the selection of Paul Thayer is one of the most outstanding selections made in all the years I have been in the Senate."

Then he goes on from there. So I will include Senator Goldwater's statement in the record at this point.

[The prepared statement of Senator Barry Goldwater follows:]

PREPARED STATEMENT OF SENATOR BARRY GOLDWATER

The selection of Paul Thayer to be the Deputy Secretary of Defense is one of the most outstanding selections made in all of the years I have been in the Senate. I don't say that because he and I are old friends, but I say it because of his exceptional background. Paul was a Navy pilot, an Ace in the South Pacific, one of our outstanding test pilots and a man who went to work at LTV literally at the bottom and worked his way to the top. He is a man whose brilliance and understanding of the American system has brought him to the Presidency of the National Chamber of Commerce. Certainly no one has accepted service for his country with a more comprehensive background. We now have a man who can sit down and talk with manufacturers with a thorough appreciation of the business world. We have a man who understands weapons systems of all types because he has been involved in the manufacture of all types. We have a man who has been an intense student of national and international affairs in all of the years I have know him.

One of the sad times in my life will be this day because I cannot be there to personally cast my vote for this outstanding American who has already contributed so much to his country. That Paul Thayer is now willing to take that extra step to help order out of the confusion that we have had for years in the procurement, manufacture and funding of weapons is a tribute to him and to our nation.

I want to congratulate Paul Thayer, to thank him and to say to my colleagues on the committee, we will probably never have a man come before us for confirmation who so completely fills every requisite of this extremely demanding job. My best wishes are his and my thanks.

Chairman TOWER. Mr. Thayer, we are delighted to have you. You may proceed as you see fit. You may place your statement in the record in its entirety, summarize it or read it. You may proceed.

Senator BENTSEN. Mr. Chairman, if you have no objections, I have another committee meeting which I will be going to at this time.

Chairman TOWER. I fully understand. We appreciate your being here, Senator Bentsen.

Mr. Thayer?

STATEMENT OF MR. W. PAUL THAYER

Mr. THAYER. Mr. Chairman, I do have a very short prepared statement that I would like to read at this time.

I do want to thank you, Mr. Chairman, and distinguished members of the committee, for this occasion. It is a very high honor. Indeed I believe it is a uniquely challenging opportunity to be nominated by the President to the position of Deputy Secretary of Defense.

It is certainly an honor to appear before this committee to seek confirmation for this rather awesome assignment.

As I said, I do not have a lengthy prepared statement in deference to the time demands that I know face you, the chairman, and the key members of the Senate here today. However, it might assist you in your deliberations if I stated a few convictions related to the purpose of this hearing.

The military threat to the United States covers the spectrum from the sophistication of Soviet Union military might to rank terrorism and, I am sorry to say, does not appear to be diminishing in intensity. The defense policies expressed by President Reagan and Secretary Weinberger that are designed to strengthen our defense in all key areas are, I believe, broadly supported by the American people.

We must emphasize to the maximum our continuing technological preeminence. The Defense Department must also demonstrate to the Congress and to the American people that we can properly manage our extensive resources.

At the same time we need to accept development risks to get the payoff that high technology permits and reduce the time and therefore the costs of field weapon systems successfully.

These goals can only be achieved through program stability, looking harder at product improvement rather than a new program, not starting programs that we cannot finish, and looking for that real order of magnitude improvement rather than working on the margin.

Our improving technology and broader commitments appear to be creating overlaps in roles and missions and therefore a proliferation of similar requirements. Because of this I would expect to address myself specifically to the opportunities to improve the front end of the acquisition cycle in defining our needs.

The lessons that I learned as the chief executive officer of a multi-industry corporation, along with having spent most of my life in the aerospace industry, I hope would assist me in carrying out my new responsibilities.

In the broad sense I believe I understand the fundamental relationships of the Congress and the Department of Defense and would pledge a mutuality of purpose, an acknowledgment of the requirement for consistency, and a full realization that honesty and credibility are mandatory to a successful working relationship.

The management initiatives already started by Secretary Weinberger and Deputy Secretary of Defense Carlucci are well placed and, using them as a base, I would devote myself to continuity and expansion to achieve additional improvements in affordability, readiness, effectiveness, and sustainability.

Continued improvement is necessary not only for our defense posture and the ability to meet our foreign policy commitments but also to provide us the strength to address constructively the major arms constraint issues.

Finally, I have been in a war and I know that is not an acceptable answer. With these thoughts, I thank you, Mr. Chairman and members of the committee.

I look forward to your questions.

Chairman TOWER. Thank you, Mr. Thayer. We will proceed now to questions.

Senator Denton?

Senator DENTON. I want to acknowledge my own sense of gratification that such a man is being nominated for this responsible post and to acknowledge that for the last three or four decades of my life I have had a great deal of respect for this gentleman.

He is well known to anyone who has ever flown, particularly anyone who has flown in the Navy, and obviously the breadth of his experience is not confined to combat or to military activities, and I believe that we have a remarkable asset now in having him placed in this position to which I am sure the entire committee will confirm him.

I will just pursue very briefly this question, Mr. Thayer.

Do you have any general ideas in your mind as to the direction in which DOD spending cuts could be effected without getting into the muscle and bone?

I understand that in some cases, DOD has budgeted funds that must be spent within the fiscal year or it will lose the funds next year.

Is that a general area in which you see an opportunity to make effective savings?

Mr. THAYER. Senator, I would not like to be very specific at this point because I think I would be losing some credibility with this committee if I were. I am sure you know and recognize that I have still a lot to learn about the inside of the Pentagon, even though I have certainly been more than just an outside observer over the years.

I should like to direct my concentration for the next 2 or 3 months on really getting behind a lot of numbers, weapon systems, and requirements, and on understanding the threat and the priorities in the Pentagon before I would make any specific recommendations.

Senator DENTON. Perhaps I am taking a condescending attitude to suggest that even as you take the office it is important to establish with the public the sincerity of your desire to cut into the fat from the DOD budget. However, a newly established blue ribbon committee came up with 32 points.

We are facing here in the Senate a debate on systems and that questioning that will go on. I assure you that my record will prove that I am with you. We have to emphasize the positive.

I would like to know if you have any ideas on how to save money within DOD. I realize you have been away from the Pentagon longer than I. Do you think we can effect any savings within the civilian side of DOD by expanding the civilian guard?

Mr. THAYER. I will certainly look at that very closely. I think the main thing that I bring to this job is a combination of some knowledge of the total aerospace industry and some managerial expertise that I have accumulated along the way in the industry itself.

While I don't expect to work any dramatic miracles in a short period of time, I don't think it is going to take me very long to get up to speed so that I will be able to separate the chaf from the fodder, so to speak, and determine where we have weaknesses or marginal organizations or marginal weapon systems. I would expect, in cooperation with this committee and the other committees which I will be working with in Congress, to come to some common meeting ground on what is best in order to continue to improve the defense posture of this country, which I know is the overriding objective and the main objective that all of us have.

Senator DENTON. Thank you. In advance, welcome aboard.

Mr. THAYER. Thank you, sir.

Chairman TOWER. Senator Brady.

Senator BRADY. Mr. Thayer, I want to associate myself with Senator Denton's remarks about your past business life. From my own business knowledge I know you took a company that was in need of substantial repair and did an excellent job in bringing it forward in the 1980's.

I congratulate you on that and I congratulate the administration for selecting a man of your obvious ability to be Deputy Secretary of Defense.

I think that anyone who has worked with an industry as you have has probably asked themselves what they would do differently if they were to work for the Defense Department. Have you thought about the operations of the Department over the years?

Do you bring to your job any feelings as to how you would try to change things in the next several years? I know that is a very broad question.

Mr. THAYER. Yes, it is. I do not have any preconceived plan or agenda to priorities except, first of all, to become educated. In that process I would expect within a relatively short period of time, a few months, to be able to go to my boss, Secretary Weinberger, and suggest where we might improve the way we spend the defense dollar.

I think that one of OSD's primary responsibilities is to determine where there is overlap or duplication between the services—particularly in terms of the procurement of weapon systems—and then make the hard decisions that have to be made in order to bring more efficiency into the acquisition process.

I will continue to work on that very hard throughout my tenure in office, however long that might be, and whoever my successor is will have to continue to do that as well.

I don't believe that with a complex organization like the Department of Defense, which is very much like a large company, there is any point at which you get to a level of efficiency that you feel is satisfactory. It is something that has to be worked at every day and constantly. It never lets up.

Senator BRADY. I don't have any further questions, Mr. Chairman.

Chairman TOWER. Senator Thurmond?

Senator THURMOND. Mr. Thayer, I would like to add my congratulations to those already expressed by my distinguished colleagues. It is certainly a pleasure to have you here today as President Reagan's nominee to become the new Deputy Secretary of Defense.

I would like to state for the record that I am very familiar with your background and experience and feel that the President has made an excellent selection.

President Reagan was elected with a consensus to rebuild our national defense. Although there is much public debate over several of the programs in the President's plan, I feel there is still a strong consensus in America that we need to rebuild our defenses.

Mr. Thayer, it is my opinion that you will be a great help to the Secretary of Defense and the President as we continue to strengthen the United States militarily. You have made a great success in private business and are held in high esteem by the business world. I feel that we are very fortunate to have you accept this position.

I commend you on your being willing to sacrifice from a financial standpoint to make this position. I wish you well in your work.

I have a few questions that I will submit for the record.

Mr. THAYER. Thank you, Senator.

Senator THURMOND [presiding]. Senator Byrd?

Senator BYRD. Thank you, Mr. Chairman.

I associate myself with the remarks just made by the distinguished gentleman of this committee. I have had a chance to talk with Mr. Thayer.

I think this is an excellent appointment that President Reagan has made. I am pleased that a man with Mr. Thayer's background, capability, and knowledge will be appointed to this position.

I am pleased to support the confirmation. I extend to you, Mr. Thayer, my best wishes in a very difficult but very vital assignment.

Mr. THAYER. Thank you, Senator.

Senator BYRD. Thank you, Mr. Chairman.

Senator THURMOND. Senator Jepsen, have you questioned the witness or made a statement?

Senator JEPSEN. No, I have not. I defer to my good colleague, Senator Denton who has been waiting. I just arrived.

Senator DENTON. I have already registered my comments, Mr. Chairman.

I thank the Senator from Iowa.

Senator THURMOND. The gentleman from Iowa.

Senator JEPSEN. Thank you, Mr. Chairman.

Mr. Thayer, I, too, echo the remarks and the comments that have been made concerning your nomination. In our meeting the other day we discussed the problem that seems to be creeping in blanket-like basis across the Nation regarding the consensus group on a strong defense.

We need to get out and tell the story. There are those who are telling the story inaccurately about defense. I heard the distinguished gentleman from South Carolina use the words "We are rebuilding" and that is accurate. We are not building up—we are rebuilding.

There are the types of things that the American people must understand. We had a decade of degradation of our military capability in this country. When I came to the Senate in 1979 we had what they called a hemorrhage of our noncommissioned officers in all branches of the service. Our personnel were leaving by the thousands.

For example, we were 22,000 people short of chief petty officers in the Navy. The morale was at an all-time low. Men and women in our services would not wear the uniform off base because of the feeling that the American public had toward them.

Things have changed. We have made some progress. As I indicated to you the other day, there needs to be a presentation to the American people. I hope that as a very key member in the Defense Department you will use your proven talents and ability to bring people together to tell the story. The American people need to be told the facts in regard to the need to rebuild our military establishment.

I have some concerns that the consensus and support for the increase in the rebuilding of our defense has led some of those who are in the Defense Department to feel that it was always that way and it is going to be that way. I sense that in some areas a feeling of indifference or arrogance has surfaced in some of the activities over the last year or so with regard to work in the Congress.

I find around the country people want a strong defense; they want a strong Nation. They want us to have a level of defense that will prevent war, keep the peace and will enable us to go to the negotiating table and negotiate eyeball to eyeball with our adversaries for some reductions and hopefully the ultimate elimination of weapons.

But you have to have peace through strength. I believed that when I came here and I will not change my mind on that. It is not a matter

of opinion—it is a matter of record. Back in history 2,000 or 3,000 years ago as many years as there has been written history, you will find this is true.

I appreciate and thank you for accepting the nomination. It is most fortunate when concerned citizens take an active part and are willing to sacrifice. As chairman of a corporation I know you will be making considerably less income than you were before.

Washington now has a number of people that President Reagan has called on to do that. I appreciate that.

I have, Mr. Thayer, a couple of questions which you can either answer or submit answers in writing for the record. One of them is whether you have had a chance to review the 32 Carlucci initiatives for improving the defense procurement process? If you have had a chance to review them, what is your opinion?

Mr. THAYER. I have read them, Senator. I have not had a chance to review them as such in terms of their implementation within the Department. I will do that at a very early date.

My feeling at the moment is that they are very good initiatives, and they should form the core of my efforts to continue to improve what has been started. Those kinds of initiatives for the most part, as I am sure you realize, take quite a while before you can measure the improvement or their effect.

Senator JEPSEN. For the record I would appreciate at your convenience a written comment from you, from an industry perspective as to the success of the DOD implementation of these recommendations to date.

Mr. THAYER. On the initiatives only?

Senator JEPSEN. On the initiative for improving defense procurement.

Mr. THAYER. I will be delighted to do that.

[The information follows:]

ACQUISITION IMPROVEMENT PROGRAM

Industry's view on the Acquisition Improvement program (i.e., the 32 Carlucci initiatives) is mixed. We see it providing a comprehensive package of procurement initiatives to redress more than a decade of patchwork repairs to the acquisition process in the Defense Department. It is now nearly two years since the program was announced so there hasn't been sufficient time to make sweeping assessments on so comprehensive an undertaking. After all, the Acquisition Improvement Program is designed to change the way the entire Department goes about the business of selecting, procuring, and maintaining its weapon systems. Such a major effort takes time to implement and no one expects all 32 initiatives to be implemented with equal vigor. Likewise, neither industry or DOD expect all 32 initiatives to be equally effective.

As indicated in the introductory statement emphasis must be placed on: technological preeminence, program stability and product improvement in lieu of a new development, reducing overlaps in roles and missions, and improvement in the front end of the acquisition process. In addition, continued success is expected in the following initiatives: contract provisions containing readiness and sustainability goals, increased competition especially in areas where traditionally competition was said not to be applicable, and reducing costs through multiyear procurement.

Senator JEPSEN. I thank you. I wish you well and you have my enthusiastic support.

Thank you, Mr. Chairman.

Chairman TOWER. Mr. Stennis?

Senator STENNIS. Mr. Chairman, I don't have any questions. I am very glad to come to this hearing. I don't know of any office in this role

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that is more important, particularly after the debate about the MX. I certainly wish you well in the discharge of your duties.

I have no questions.

Chairman TOWER. Senator Warner?

Senator WARNER. Thank you, Mr. Chairman.

I have had the privilege of knowing the nominee for many, many years. I have worked with him in the context of issues on national defense and as well as many others. I have the highest regard for his professional capability and his integrity.

I would hope that when he joins the Department he immediately turns to the issue of waste, fraud, and inefficiency. Those are the three key words that are constantly brought up in the public domain with respect to the Department of Defense.

Your predecessors did well in this area. I presume you will not only follow in their footsteps, but you will have some initiatives of your own.

Having served in the Department of Defense for a number of years, I find it difficult to believe that there is anything in the way of fraud. Nevertheless, you are expected to look for that as well as other means to take the fat, as they say, out of the Department and make sure every dollar is well spent.

If I may put it in the form of a question, have you specifically looked at that area and given any thought to what you might do different from your predecessors?

I don't mean just your immediate predecessors. Rather the long line of well-intentioned individuals who have taken this position and that of Secretary who have done their level best to eliminate waste, fraud, and inefficiency.

Mr. THAYER. Thank you, Senator.

I should like to answer that this way. I believe that there is an inherent inefficiency in organizations as large as the Department of Defense and with the size of its budget. I don't have any preconceived notions at the moment as to how best to tackle that problem.

I can only say that my top priority is to understand much more about the inside of the Pentagon than I would ever be able to understand looking at it from the outside even though I have looked at it reasonably closely, being associated with the aerospace industry.

I think that the initiatives we mentioned earlier that were established over a year ago by Mr. Carlucci are certainly a start. As I say, I am not sure of the degree to which they have been implemented and therefore felt in terms of measurable improvements in the efficiency of using the defense dollar.

I think that what I will find is that there are no glaring inefficiencies in any particular part, but rather because of the size and complexity, we will be able to make some substantial improvement across the board.

Senator WARNER. I am sure that as a member of the private sector and the variety of positions you have held you have encountered that challenge before. Therefore, you will find that opportunity.

I urge you to raise the priority in addressing that, because it underlies more than anything else public confidence in the Department and in turn the budget the Congress will eventually approve for that Department. That public confidence is essential if we are to con-

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tinue to try to give the President the support that he has asked for and deserves in restoring America's military capability.

Mr. THAYER. Thank you, Senator.

I would hope that in working with this committee and the other committees which are directly associated with our defense posture that in the Department of Defense we can convince you that we are very conscious of this, and that we are taking the proper steps to insure that the responsibilities that we have been given in this regard are well executed. Once we have satisfied members of this committee and others of this, we will have taken a big step forward in reassuring the American people that we are doing a responsible job.

Senator WARNER. Thank you very much.

Chairman TOWER. Senator Jackson?

Senator JACKSON. Thank you, Mr. Chairman.

I want to compliment you, Mr. Thayer, on undertaking this noble effort and, very obviously, onerous task

If it has not already been covered, Mr. Chairman, I was going to ask if there is an agreement on the area of responsibility that you will have and what you will be responsible for as the Deputy Secretary of Defense?

Mr. THAYER. Secretary Weinberger and I have discussed this, Senator. We have not had a chance to have really any indepth discussions.

I think, to use an analogy in the business world, that I would be operating as the chief operating officer of the Pentagon and more responsible for the day-to-day activities of the Pentagon and certainly in that, of course, playing a very prominent part in formulating policy along with the Secretary.

I would think that my real job is to bring my past experience as a manager and the knowledge that I have gained over the years of the aerospace industry and our defense posture in general so as to be able to improve overall from the formulation of policy the way we go through the development and acquisition process to procure our weapon systems. I would expect all of the managerial responsibilities to fall on the shoulders of the chief operating officer.

Senator JACKSON. I would hope, Mr. Thayer, with your long experience and obvious expertise in industry and the aerospace business that one of your major responsibilities would relate to procurement, research and development and so on which require the kind of management skills that you have demonstrated in the past.

That is just my judgment for all it is worth. I gather that is what you are saying here?

Mr. THAYER. Yes, sir. I think that will occupy the majority of my time.

Senator JACKSON. You will have to utilize your talents to achieve that which everyone is talking about—cutting waste and making reductions without interfering with the muscle that we must maintain. That will be no easy task.

I think Dave Packard, while not in the aerospace side of the ledger, did an outstanding job, Mr. Chairman. His experience was in the electronics field, but nevertheless he related it to the aerospace business.

I would only say I wish you well and we will try to help any way we can.

Mr. THAYER. Thank you very much, Senator.

Chairman TOWER. Senator Stennis?

Senator STENNIS. Mr. Chairman, when I came in I really had not been advised of what this hearing was about. I want to say one word.

You used the term "chief operating officer." Will you define that term for us? I know what you are saying, but I would like to have your concept of it because it is highly important the way you look at that phrase. Elaborate on that some, if you will.

Mr. THAYER. Yes, sir, I will be glad to.

In my company, the LTV Corp., I have been fulfilling the role of chief executive officer in that company, chairman of the board and chief executive officer as the senior officer of the company.

The No. 2 man in my organization is the president, who is the chief operating officer. I depend on him to run the day-to-day activities and make the day-to-day decisions brought up by the operating organizations to the corporate level.

I would look at the relationship that will develop between me and Secretary Weinberger, who is very similar to the chief executive officer, and as such he is the ultimate decisionmaker. The buck really stops with him.

I would think that along with that we will certainly have some more discussion in this area to clarify the division of responsibilities as he looks at it. I think the more that we can separate these responsibilities, the less duplication we will have in exerting the overall management of the Department which at best is very difficult for any one or two people to get their arms around.

Senator STENNIS. I like your definition and your approach. As I have observed the situation, you have one of the most difficult as well as one of the most extensive operational responsibilities in connection with the Government.

No Secretary of Defense can keep up with all the levels of responsibility here. I like the way you approach your work.

Mr. Packard's name has already been mentioned. I don't like to make comparisons, but I remember him quite well. He had a tremendous grasp and fine experience and background. He did a great deal of fine work. I believe you will be of the same pattern.

You are greatly needed, especially now. I was around when our deficit built up so I take my share of the blame. I realize now that we are never going to get rid of it or get the budget anywhere close to balanced unless we have a sustained effort in all these departments to make the dollar go farther and be accountable for judicious, prudent expenditure of the money. I don't think there is any substitute for that.

I have been out this year visiting all these departments at various levels just to see for myself how they were spending the money. I am prodefense and promilitary, however there is plenty of room for saving money in this area, too.

I want to congratulate you on your appointment and wish you well. My purpose will be to back you up.

Thank you again, Mr. Chairman.

Mr. THAYER. Thank you, sir.

Chairman TOWER. Senator Quayle?

Senator Quayle, will you suspend. What I recommend we do is go vote and come back. I will urge everybody to return. We have some other urgent business to discharge in addition to our consideration of the nomination of Mr. Thayer.

It is my intention to try to clear the nomination of Mr. Thayer today. We have only a few short days left in this session. I think it is incumbent on us to expedite the confirmation by the full committee so that Mr. Thayer in the interim may take over his job and start to work.

The committee will suspend. We will resume in 10 minutes.

[Recess.]

Chairman TOWER. The committee will come to order.

Senator Levin?

Senator LEVIN. Thank you, Mr. Chairman.

First of all, let me congratulate Mr. Thayer on his nomination and say that I look forward to a real contribution from him to our defense establishment and defense policy.

He has an excellent background and this opens up some opportunities for us to look at some at the things in the Pentagon, particularly in the procurement area, which have troubled a number of us. I do want to congratulate him on that and look forward to his working with the committee.

You have been quoted as saying "We simply can't go on piling up a debt which drains capital from the private sector and drives up interest rates. The business community must pull together on the issue and urge Congress to leave no area of the budget untouched. That includes defense."

Coming from a State with the highest jobless rate, I am particularly sensitive to those words and to what we should do to reduce joblessness. I agree with you that no area of the budget should be untouched—including defense.

I am wondering whether or not you stand by those quotes that I have read as you appear before us today?

Mr. THAYER. Yes, I do, Senator. I think that the Department of Defense is certainly a very big factor in this country's future, not only from the standpoint of national security, but certainly from the standpoint of its effect on the economy as well.

Senator LEVIN. In fiscal year 1981 according to the Department of Defense, 59 percent of all procurement dollars awarded or spent by them were awarded to contractors on a noncompetitive basis. This obviously troubled your predecessor, Frank Carlucci, because he wrote in his July 27, 1981, memorandum on increasing competition that, "There is a serious concern that our achievements are not adequate."

A number of us on this committee tried to increase the advance notice of defense contracts that would be published in the Commerce Business Daily so as to improve competition. We tried to increase that notice from 10 days to 30 days to give potential competitors an opportunity to express an interest as a practical matter.

Are you at all familiar with the amendment which has been cosponsored by Senator Cohen and, at different points, Senators Nunn, Weicker, and Roth? Are you familiar with that issue?

Mr. THAYER. No, sir, I am not.

Senator LEVIN. Would you look into that issue and get back to us with your position on the specifics of the amendment which would require 30 days of advance notice to replace the 10-day notice that we presently give to potential competitors?

Mr. THAYER. Yes, sir, I will do that.

[The information follows:]

We strongly support the concept of competition in Defense procurement and fully recognize its worth. Increasing competition is one of the major initiatives of the DoD Acquisition Improvement Program. We believe, however, that our present procedures for solicitations and advance publicizing in the Commerce Business Daily provide the necessary opportunity for competition without adversely affecting our procurement process.

Our present policy on publicizing or synopsizing, which is based on section 8(e) of the Small Business Act, requires that purchasing offices, when feasible, synopsize proposed procurements in the Commerce Business Daily no later than 10 days before the issuance of solicitations, As a general rule, bidders are given 30 days after the issuance of solicitations to prepare and submit their bids. These policies are designed to give ample time to permit bidding by firms not on the purchasing offices' bidder's mailing lists. Firms that are on the bidder's mailing list, of course, receive solicitations upon original distribution.

Adding 20 days to the synopsizing time would unduly delay and complicate the procurement process at a time when we are trying to shorten and simplify it. In our view, adding to the procurement lead time could adversely affect the carrying out of the Defense mission. Further, any extension of the procurement lead time would impose a corollary requirement to increase our stockage levels for items in inventory to cover usage during the additional days required for resupply. This would substantially increase our inventory costs over the entire spectrum of items we regularly buy and stock.

Senator LEVIN. Have you reached a conclusion on the overall balance of power between the Soviet Union and their allies and ourselves and our allies?

Mr. THAYER. In terms of numbers and in certain areas of technology, I believe the Soviet Union is ahead of the United States.

Senator LEVIN. We have asked the former and the current Chairman of the Joint Chiefs whether they would swap our overall military capability with the Soviets. Would you?

Mr. THAYER. That is a question that I don't think is very easy to answer, Senator. I certainly would not swap the quality of their people for ours. I would swap numbers with them.

Senator LEVIN. In all instances?

Mr. THAYER. Probably not in all instances. I would say that really depends on the relative technology in all these various categories. I believe very strongly that the way we reach parity with the Russians is primarily through technology and not numbers.

Senator LEVIN. Is it a fair summation to say you would not on the overall swap our military capability for that of the Soviets?

Mr. THAYER. I am going to spend the next month or two becoming a lot more familiar with the threat, Senator, than I am at the moment. I would be better able to answer that question a few months from now.

Senator LEVIN. Going back into your comments about the defense budget and how we have to subject it to the same scrutiny as the other budgets, do you think we have subjected the defense budget to adequate scrutiny?

Mr. THAYER. Certainly from the standpoint of the number of people who have become involved in the defense budget it gets well scrutinized.

Senator LEVIN. Does that mean you do think that we have subjected it to adequate scrutiny?

Mr. THAYER. If you say from the standpoint of people looking at the details of the budget, I would say that the budget does get adequate scrutiny.

Senator LEVIN. How about from the standpoint of the conclusions of those reviews?

Mr. THAYER. There again I would like to spend a couple of months anyway to get familiar with the status of the threat as well as the

systems and the organizations we have to counter it. I would like to be more knowledgeable at this stage of the game and more responsive to your question, but I think I would be damaging my credibility with you if I started to become very specific about things that I just don't know enough about yet, but will.

Senator LEVIN. Thank you.

I am not sure whether you have been asked this or not. What provision have you made to avoid any conflict or an appearance of a conflict of interests which might arise from your ownership of LTV and other aerospace industry stock which you might own.

Chairman TOWER. If the Senator will yield at that point, Mr. Thayer has spent a great deal of time with the committee staff. I believe that we have satisfactorily resolved all the issues that might either give the appearance of conflict of interest or might be actual conflict of interest in conformance with the rules of the committee.

Senator LEVIN. Is it a rule the nominee does not make a public statement as to what those provisions are?

Chairman TOWER. I can't comment on that. I will ask our counsel.

Mr. YUSPEH. I think it is satisfactory if the nominee wants to comment on it.

Senator LEVIN. I don't want to break our rules.

Mr. YUSPEH. We will be glad to review it with your staff if that is the case.

Mr. Thayer is fully in conformance with all the requirements of the Federal law. We are satisfied with the data he has provided and the agreement that he will satisfy the requirements of the law.

Senator LEVIN. You might wish to make a statement on that subject, but I am not going to ask you to if it is in violation of our rules.

Mr. THAYER. I can only echo what has been said. I believe, based on advice from my personal attorney, I have complied with all regulations. What that means fundamentally is that I must disassociate myself completely from my former company in all respects and from any other organization associated directly or even partially with the aerospace industry.

Senator LEVIN. I think that is a useful clearing of the air, myself. I felt it was a relevant question because of your connection with the aerospace industry. It sounded to me like you have fully complied with the requirements of Federal law and of this committee. I will go back and read your testimony.

My last question is as to the MX. There is a reasonable possibility that the administration is going to be reviewing all possible basing modes for the MX. On the assumption that the review takes place, I have the following question.

Are you presently committed to the defense pack basing mode as the best way of solving that either real or perceived Minuteman vulnerability problem?

Mr. THAYER. Senator, I frankly don't know enough about any of the basing modes to be committed. So the answer to your question is "No."

I do feel very strongly that the MX missile as such should certainly come into being. I believe that we very definitely need a more modern, high-performance land-based intercontinental ballistic missile.

Senator LEVIN. However, you are not committed to the basing mode issue?

Mr. THAYER. I am not committed.

Senator LEVIN. I want to commend you on what I understand to be the case that you actually are known to enjoy the Capital and like Washington, D.C. That is newsworthy, according to the New York Times. It says here, "Unlike many top business executives, Mr. Thayer is known to enjoy the Capital."

I hope you enjoy it as much during your stay.

Mr. THAYER. Thank you.

Senator LEVIN. Thank you, Mr. Chairman.

Chairman TOWER. Senator Cannon?

Senator CANNON. Thank you very much, Mr. Chairman.

Following up on some of the questioning that Senator Levin asked you about, I take it then that you would not participate in any matters or decisions involving the former company that you were heading. Is that correct?

Mr. THAYER. Yes, sir, that is correct. I will have no continuing interest in that company and no opportunity to participate in its management in any way. I will, of course, have responsibility for matters in the Defense Department that may affect that company. By divesting myself of all financial interest in the company, I have freed myself to carry out those responsibilities.

Senator CANNON. Are there other companies beyond the latest one that you have headed up that require that sort of action on your part?

Mr. THAYER. I am a member of a couple of boards. Both companies do some business with the Department of Defense. I am resigning from those boards.

Senator CANNON. Would that also require you to not participate in any decisions involving matters that were being negotiated between the Defense Department and those companies?

Mr. THAYER. Yes, sir. I will be completely divorced from all organizations, companies or otherwise that have business with the Department of Defense. Any involvement I might have with such companies would be on behalf of the Department of Defense. I will retain no interest in them.

Senator CANNON. I don't know whether this question has been asked or not, but this year you were president of the National Chamber of Commerce. Have you resigned that position at the present time?

Mr. THAYER. I have not, but I will before being sworn in.

Senator CANNON. I have no more questions, Mr. Chairman.

I have known Mr. Thayer for a number of years. I think he is an outstanding man for this position. I had some questions as to why he would want to undertake it. Outside of that I think the government will be very fortunate to have him come into a position like this. I look forward with pleasure to the opportunity to support his nomination.

Mr. THAYER. Thank you, Senator.

Chairman TOWER. Mr. Thayer, if confirmed, will you respond to all summons from this or any other appropriate committee of the Congress to testify on matters relating to your responsibilities in the Department of Defense?

Mr. THAYER. Yes, sir, I would. I would look forward to it.

Chairman TOWER. Mr. Thayer, I have some questions that I would like to submit for the record. You may respond to them in writing for the record.

Are there any more questions that anyone would like to ask?

Senator STENNIS. I have no more questions. Thank you, Mr. Chairman.

Chairman TOWER. Mr. Thayer, thank you very much for very forthright testimony.

I am prepared to entertain a motion that Mr. Thayer be favorably reported.

Senator CANNON I move, Mr. Chairman.

Senator STENNIS. I second the motion.

Chairman TOWER. The record will be held open until 5 p.m. this afternoon for absent members to be polled.

Let me ask the clerk to call the roll now.

Mrs. DAUTH. Senator Thurmond?

Chairman TOWER. Aye, by proxy.

Mrs. DAUTH. Senator Goldwater?

Chairman TOWER. Aye, by proxy.

Mrs. DAUTH. Senator Warner?

Chairman TOWER. Aye, by proxy.

Mrs. DAUTH. Senator Humphrey?

Chairman TOWER. No instruction.

Mrs. DAUTH. Senator Cohen?

Chairman TOWER. No instruction.

Mrs. DAUTH. Senator Jepsen?

Chairman TOWER. Aye, by proxy.

Mrs. DAUTH. Senator Quayle?

Chairman TOWER. No instruction.

Mrs. DAUTH. Senator Denton?

Chairman TOWER. Aye, by proxy.

Mrs. DAUTH. Senator Brady?

Chairman TOWER. No instruction.

Mrs. DAUTH. Senator Stennis?

Senator STENNIS. Aye.

Mrs. DAUTH. Senator Jackson?

[No response.]

Mrs. DAUTH. Senator Cannon?

Senator CANNON. Aye.

Mrs. DAUTH. Senator Byrd?

Senator STENNIS. Aye, by proxy.

Mrs. DAUTH. Senator Nunn?

[No response.]

Mrs. DAUTH. Senator Hart?

[No response.]

Mrs. DAUTH. Senator Exon?

[No response.]

Mrs. DAUTH. Senator Levin?

[No response.]

Mrs. DAUTH Mr. Chairman?

Chairman TOWER. Aye.

Senator STENNIS. Senator Jackson votes aye, by proxy.

Chairman TOWER. Absent members will be polled by 5 p.m.

Since the outcome will not be changed, you can be assured, Mr. Thayer, that you will be favorably reported for confirmation by the Senate so that you can get right to work.

We will excuse you now, Mr. Thayer.

If members of the committee will remain for a few minutes, we have some routine nominations.

Mr. THAYER. Thank you, Mr. Chairman and members of the committee. I look forward to working with you.

Chairman TOWER. The nominations of Members of the Board of Regents of the Uniformed Services University of Health Sciences have been before the committee for the required length of time.

Without objection, they will be reported favorably.

We also have 3,119 routine military nominations that have been before the committee the required time.

Any objection?

Without objection, that will be favorably reported.

[The questions submitted by the Senate Armed Services Committee Senators to be answered for the record by Mr. Paul Thayer are as follows:]

QUESTIONS SUBMITTED BY SENATOR JOHN TOWER

DEFENSE INDUSTRIAL BASE

Chairman TOWER. Are you concerned about the capacity of our defense industrial base to meet U.S. defense needs?

Mr. THAYER. No, I am not concerned about the capacity of the industrial base to meet defense needs. I believe the U.S. clearly has the factory floor space and machinery. I am concerned, however, with the overall responsiveness of the base, both public and private. Given the national problems of declining productivity, lagging capital investment in new machine tools, increasing foreign dependency, and projected shortages of skill manpower, our ability to respond quickly under crisis conditions would be severely strained.

The DOD has important programs now underway to strengthen the base by developing ways to incentivize industry to improve productivity and encourage necessary capital investment in modern machine tools. This is particularly important not only to insure timely delivery of defense items but in improving production efficiency and reducing weapons systems costs. Efforts are also being pursued to establish a capability to surge production on selected key and critical items. I feel that it is absolutely imperative that the DOD continue to press these initiatives if we are to maintain the industrial capacity necessary to meet future defense requirements.

RECOMMENDED CHANGES TO PROCUREMENT PRACTICE

Chairman TOWER. Based on your experience with defense procurement from the standpoint of a contractor, have you observed some practices that could be constructively changed?

Mr. THAYER. In many ways industry sees the Department of Defense as a rather fickle customer who cannot make up his mind as to what he wants. Large, abrupt changes that are made annually in the planned programs cannot be blamed solely on congressional adjustments. Somehow, DOD must introduce more stability into its acquisition programs and will need to solicit the help of Congress in maintaining this stability for high priority programs.

The cost and performance benefits, possible through the competition in both the design phase and price competition during production, must continually be emphasized. We must pursue competition at all levels from the prime contractor down through and including the vendor levels. While competition is not a panacea and the return on investment must be carefully analyzed, we feel it deserves a longer and harder look than it has been given in some instances to date.

There exists a strong element of inflexibility in formal contract specifications that very seldom emphasizes any analysis of tradeoffs of cost versus performance or at the very least an understanding of what the last 5 percent of performance really costs, for example. We want to encourage this tradeoff analysis early in the design process and thereby give the contractors latitude to innovate around system goals rather than a rigid set of formal specifications.

BUDGET DEFICIT

Chairman TOWER. Mr. Secretary, given the large budget deficits that are projected over the next several years, some people have suggested substantial defense spending reductions. Do you think this is a reasonable solution to the problem?

Mr. THAYER. The current budget deficits and those that are projected over the next few years are not the result of growth in the defense budget. They result from reduced revenue due primarily to the low rate of economic growth, high unemployment, and the continuing high level of real interest rates. It is also important to note that cuts in defense spending do not result in a dollar-for-dollar reduction in the federal budget deficit. In fact, each dollar cut from defense spending reduces the deficit by only 50 cents. Even very large reductions in the proposed defense program will not produce dramatic cuts in the deficit.

The key to reducing the deficit is the achievement of strong sustainable economic growth. Progress toward that goal will not be enhanced by drastic reductions in our defense program. Such action would result in a weakening of our nation's security without providing significant favorable economic impact.

PRIMARY ISSUES

Chairman TOWER. What are several primary issues, from your point of view, which national defense planning should focus on?

Mr. THAYER. The most important issue that focuses our defense planning activities is how to most effectively and efficiently protect our people, institutions and values from coercion or attack while reducing the overall potential for violence. This is uppermost in our minds as we plan for our security. Subsumed in this primary issue is a number of sub-issues that drive specific planning activities. Among these is how we can best prevent the outbreak of nuclear conflict, from which we believe no winner can emerge. Because of the deterioration of our previous nuclear parity with the Soviet Union and the continued weaknesses of the conventional war-fighting capability of our alliances, we must also focus on how best to protect our interests from coercion or attack at levels below the nuclear threshold. To do so, we must develop a more rationalized coalition response capability to counter threats across the spectrum, from internal subversion that weakens the stability of geostrategically important countries to direct attack by Soviet forces. Of particular concern is how to protect our interests in geographically distant regions, such as Southwest Asia, where our interests are vital and our present capability limited. Cutting across all these issues is the need to insure our security at the absolutely lowest cost in terms of the resources diverted from the economy.

STRATEGIC FORCE MODERNIZATION

Chairman TOWER. There has been some question about the need for strategic modernization. Generally, what is your view on this?

Mr. THAYER. Senator Tower, the need for modernization of the strategic deterrent forces stems from two factors. First, the systems themselves are aging to the point of non-supportability and reduced reliability over the long haul. Second, while the current forces have served us well in deterring the threat they were originally deployed against, that threat has grown substantially in quantity and quality, both in offensive and defensive forces. Our ICBMs are currently vulnerable to a Soviet first-strike; our B–52s are increasingly losing their capability to penetrate Soviet air defenses; and we currently lack the capability to destroy on a prompt basis an important subset of key Soviet targets. The U.S. modernization program seeks to deploy forces sufficient to maintain deterrence in the face of the new and evolving threat.

QUESTIONS SUBMITTED BY SENATOR STROM THURMOND

PREPLANNED PRODUCT IMPROVEMENT VERSUS NEW DEVELOPMENT

Senator THURMOND. Mr. Thayer, would you elaborate on your views of program improvement versus new programs?

Mr. THAYER. History shows the systems that are most productive over a long term go through a dramatic evolutionary process in design and utility. This is true for all categories of systems; airplanes, helicopters, ships, ground vehicles,

missiles and communications systems. Technical and operational success in performing the original mission fosters their application to other requirements. It is advantageous then to deliberately construct our system development programs to accommodate future change. The design approach should embrace growth potential. There are initial, minor cost, weight, and performance penalties entailed with facilitating future modifications but the down stream cost benefits are significant both in acquisition and in operation, and support.

Our philosophy should be two fold: new starts should be developed and fielded to a configuration which best meets the projected threat at the time of initial deployment. High cost and high risk features which are not essential to meeting this threat should be deferred. However, the technical effort necessary to reduce the risks should be pursued. The improvements can be incorporated later to meet future threats and desired capabilities. Secondly, we should not start a new development program if product improvement of an existing system will meet the requirement. The above philosophy is incorporated in existing DOD policy directives and is embodied in one of the acquisition improvement initiatives. We support continued implementation of this philosophy.

ELIMINATION OF MARGINAL PROGRAMS

Senator THURMOND. Are there any current programs that you can think can be eliminated because they will not offer a significant order of magnitude of improvement?

Mr. THAYER. We simply cannot afford to develop and procure all the major new weapon systems currently in various stages of development within the Department of Defense. While there has been some improvement in the rigor associated with justifying the start of major new weapon systems there is a continuing need for high level management attention in this area. Too often the decisionmaking that involves elimination of marginal programs has degraded into the creation of cripples.

It is not prudent to specifically identify those marginal programs that require careful scrutiny at this early point in time but we intend to address this early on since the money saved by eliminating marginal systems can be used to improve the health of higher priority programs through greater use of multiyear procurement or more efficient production rates on those programs.

IMPROVEMENTS IN AFFORDABILITY, READINESS, AND SUSTAINABILITY

Senator THURMOND. What additional improvements do you feel you can accomplish in the areas of affordability, readiness, and sustainability?

Mr. THAYER. The Department's policy in the areas of affordability, readiness, and sustainability are now clearly written. Necessary changes have been made in our top level directives and appropriate revisions have been published. The Services, by and large, have issued implementing instructions. The acquisition improvement program initiatives address these same areas and good progress has been made in the last year and a half.

Further improvements must now stem from the decision process. By that I mean that these initiatives must be kept in mind when we weigh overall budget priorities and make programmatic decisions on individual programs. We must approve the transition of systems between milestones and for that matter initiate programs only when we project that we can adequately fund all aspects, including readiness and sustainability, throughout acquisition and deployment. Acting in accordance with these projections will help avoid costly stretchouts and loss of planned military capability.

The Department needs to put sequential defense budgets together accordingly; and the Congress should recognize, approve, and maintain such orderly program progressions. From an affordability standpoint we need to progessively reduce the backlogs, or bow waves, of requirements for fiscal resources, particularly in the procurement accounts. If this is done we should have funds available for such economy measures as multiyear procurements and economic production rates. The above improvements require discipline and cooperation on the part of both DOD and the Congress.

VIEW ON CSB FOR PEACEKEEPER

Senator THURMOND. Mr. Thayer, what are your views on Closely Spaced Basing for the MX missile?

Mr. THAYER. With your indulgence, I would defer a final answer until I have been briefed on this important program. I will say that my limited exposure to date makes me think that the Administration has articulated a persuasive case in support of Closely Spaced Basing.

QUESTIONS SUBMITTED BY SENATOR DAN QUAYLE

ADMINISTRATIVE BURDEN OF GOVERNMENT CONTRACTS

Senator QUAYLE. Mr. Thayer, several defense contractors in Indiana have told me that the administrative burden of handling government contracts—as compared to contracts in the civilian marketplace—can add from 10 to 15 percent to the cost of the contract. Much of this is due to such things as the proliferation of unnecessary reports (for example, reports on small business and minority business subcontracts) and the addition of numerous irrelevant "boiler-plate" contract clauses. As an experienced CEO of a major defense contract, I am sure that you are uniquely well qualified to address this problem. I would like your comments on this problem and your assurance that you will work to improve and simplify the defense procurement process to eliminate this cause of "fat" in the budget.

Mr. THAYER. We are concerned with unnecessary administrative burdens in the handling of government contracts. The DOD has supported the efforts of the President's regulatory reform effort and this objective is implicit in the DOD Acquisition Improvement Program. As a consequence, some positive actions have been taken and others are under consideration. For example, DOD recently obtained from Congress the authority to use simplified procurement procedures (minimum boiler plate) below $25,000 instead of $10,000. Beyond this, we are conducting a study to determine the feasibility of additional simplification in procurement actions between $25,000 and $500,000. We are strongly supportive of proposed reforms in regulations under the cognizance of the Department of Labor which impose substantial burdens in our contracting, i.e., implementation of the Service Contract Act, the Davis-Bacon Act, the Walsh-Healey Act, and equal employment opportunity. We are clearly aware that that burdens add to contracts costs. These efforts already initiated will be continued to improve and simplify the defense procurement process.

NEEDED LEGISLATIVE CHANGES

Senator QUAYLE. Can you provide suggestions in other areas of defense contracting that would enable the Pentagon to get the maximum out of dollars spent? Are any legislative changes needed to effect such improvements?

Mr. THAYER. DOD has initiated a number of actions to improve Defense contracting. Under the DOD Acquisition Improvement Program, 32 initiatives have been taken to improve acquisition procedures and processes. We know that it is important to improve competition and we are pressing forward along several paths to increase our competitive performance. In this connection we recognize a need for improving our ability to "second source" when we have only one contractor in the production stage. We are preparing a legislative package to facilitate use of this procedure. We have also prepared legislative packages that would enlarge and enhance the use of simplified procedures by making certain statutes inapplicable below $25,000. These include the Service Contract Act, Davis-Bacon Act, Walsh-Healey Act, acts regarding the handicapped and veterans and the Small Business Act. These legislative initiatives are in coordination within the executive branch. In addition, we have supported bills introduced in Congress to amend the Walsh-Healey Act so as to permit contractors to employ on government contracts alternate work hour schemes as they do on their other work, such as the 4 days, 40 hour week, without financial penalty.

COST CONTROL INCENTIVES

Senator QUAYLE. Are there improvements that can be made in the way in which contractor profits are determined which will eliminate incentives for cost overruns and create incentives for producing under the budget cost?

Mr. THAYER. We see the root cause of cost growth as poor cost estimating and cost control as done both by the contractor and the government rather than DOD

profit policy. Therefore, DOD emphasis will be on improving the early program estimates to prevent the practice of buying in. This is a difficult problem because design competition can encourage buying in or bidding in which, of course, leads to later cost growth in the program.

We will continue to use cost reimbursable type contracts in the early stages of development and establish share ratios that maintain an equitable balance of risk taking on the part of both the government and industry. As the development matures we typically shift more of the risk to the contractor with fixed-price type contracts. Contractual incentives that impact profit are available for both cost reimbursable and fixed-price type contracts and we will use these tools when applicable.

Because cost estimating is so difficult and can be negated by so many unforeseen changes (i.e., overall economy of the country, congressional funding cuts, changes in the early threat, technological roadblocks, and industrial competition) we tend to accept cost growth as being a normal pattern. While uncertainty is a fact of life when high technology is being pursued it is no excuse for inaction in the face of significant cost growth in many of our major weapon systems.

Chairman TOWER. The committee is adjourned.

[Whereupon, at 3:40 p.m., the committee adjourned.]

[The nomination of Mr. W. Paul Thayer was reported to the Senate by Senator Tower on December 14, 1982, with the recommendation that the nomination be confirmed. The nomination was confirmed by the Senate on December 16, 1982.]

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